



ARDEN
CAPITAL
(formerly Brainworks Limited)

ANNUAL REPORT 2019



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These financial statements are presented in the United States of America dollar ("US\$").





CORPORATE INFORMATION

ARDEN CAPITAL LIMITED (formerly Brainworks Limited)
(Incorporated in the Republic of Mauritius, registration number 115883 C1/GBL)
Share code: ACZ ISIN: MU0548S00026

DIRECTORS:

| Name | Designation | Appointed on: | Resigned on: |
|---|---------------------------|------------------|---------------|
| Simon F.W. VILLAGE (Chairman) | Non Executive | 25 January 2016 | - |
| Peter SAUNGWEME (Interim Chief Executive Officer and Chief Finance Officer) | Executive | 31 March 2017 | - |
| George S.J. BENNETT | Independent Non-Executive | 8 July 2016 | - |
| Chipso MTASA | Independent Non-Executive | 19 November 2018 | - |
| Simon NYAROTA | Independent Non-Executive | 19 November 2018 | - |
| Audrey M. MOTHUPI | Independent Non-Executive | 6 September 2016 | - |
| Richard N. CHARRINGTON | Independent Non-Executive | 6 September 2016 | 26 March 2019 |
| Zain M. MADARUN | Non-executive | 28 June 2019 | - |
| Manisha RAMPHUL | Non-executive | 28 June 2019 | - |
| Richard G. MUIRIMI | Non Executive | 9 July 2015 | - |
| Brett I. CHILDS | Executive | 1 January 2017 | 6 June 2019 |

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INDEPENDENT STATUTORY AUDITOR:

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DIRECTORS' REPORT

INTRODUCTION

The directors are pleased to present the audited consolidated financial statements ("the financial statements") of Arden Capital Limited ("the Company") together with its subsidiaries ("the Group") for the year ended 31 December 2019.

This is the first time the results are being reported under the Company's new name - Arden Capital Limited following its successful rebranding from its former name – Brainworks Limited.

All the Company's subsidiaries operate in Zimbabwe, operating under three business segments namely Hospitality, Real Estate and Logistics. The subsidiaries operating in each of these segments are African Sun Limited ("African Sun"), Dawn Properties Limited ("Dawn"), and FML Logistics (Private) Limited ("FML Logistics") respectively. The main business segment is hospitality, which contributed 94% (2018: 86%) of the Group's revenues for the year.

ECONOMIC REVIEW

The Zimbabwean economy largely operated under austerity measures in line with the Transitional Stabilisation Programme ("TSP") which was adopted in October 2018. Most entities in the manufacturing sector faced viability and operational challenges as a result of critical foreign currency, fuel and electricity shortages.

The year under review also witnessed the following important pronouncements:

- On 20 February 2019, the Reserve Bank of Zimbabwe ("RBZ") through a monetary policy statement introduced policies aimed at establishing a formal trading mechanism of Real Time Gross Settlement ("RTGS") balances and bond notes with international currencies by establishing an Interbank Foreign Exchange Market. On the same date, the RBZ announced the official designation of the then existing RTGS balances, bond notes and coins in circulation then as RTGS dollars ("RTGS\$"), in order to establish an exchange rate between the RTGS\$ and foreign currencies. The RTGS dollars thus became part of the multi-currency system in Zimbabwe. The RTGS\$, which is now officially the Zimbabwe dollar ("ZWL") began trading on the interbank platform at a rate of 1US\$ to 2.5 ZWL towards the end of February 2019.

Since making its debut on the formal currency trading platform, the Zimbabwe dollar has depreciated against the US\$, closing the year at a mid - exchange rate of about 1US\$: 16ZWL. Access to foreign currency on the formal market remained significantly constrained, inevitably making the parallel market the alternative source for foreign currency needed by businesses. The exchange rate premiums on this alternative market have exerted significant pressure on the pricing of goods and services and has been a significant component in driving inflation dynamics during the period under review.

- On 24 June 2019, the Government of Zimbabwe promulgated the immediate end of the multi-currency regime; thereby designating the ZWL as the sole legal tender for the settlement of all domestic transactions.

The economy is effectively still undergoing a transition from being a predominantly US\$ to ZWL. In its monetary policy statement released in February 2020, the RBZ advised that they were relatively satisfied with the de-dollarisation pace and have set a period of five years to completely de-dollarise.

Confidence in the local currency remains subdued as the desired effect of these currency reforms has not yet been fully achieved. The downward slide of the local currency against the US\$ between February and December 2019 had a significant bearing on inflation trends over the same period. Inflation, which increased from 67% in March 2019 to close the year at 521% has continued on the upward trajectory in 2020. The fiscal and monetary authorities are confident that this will be brought under control before the end of 2020.

The financial year under review was thus characterised by a macro-economic instability, some political disturbances in January 2019, as well as significant monetary and fiscal policy adjustments with far reaching adverse effects in the short to medium term, most notably on exchange and inflation rates. These challenges resulted in low business performance in 2019 with the greatest impact being felt in the first quarter where the Group recorded cancellations of bookings from both the domestic and foreign markets.

ECONOMIC REVIEW (CONTINUED)

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

BUSINESS REVIEW

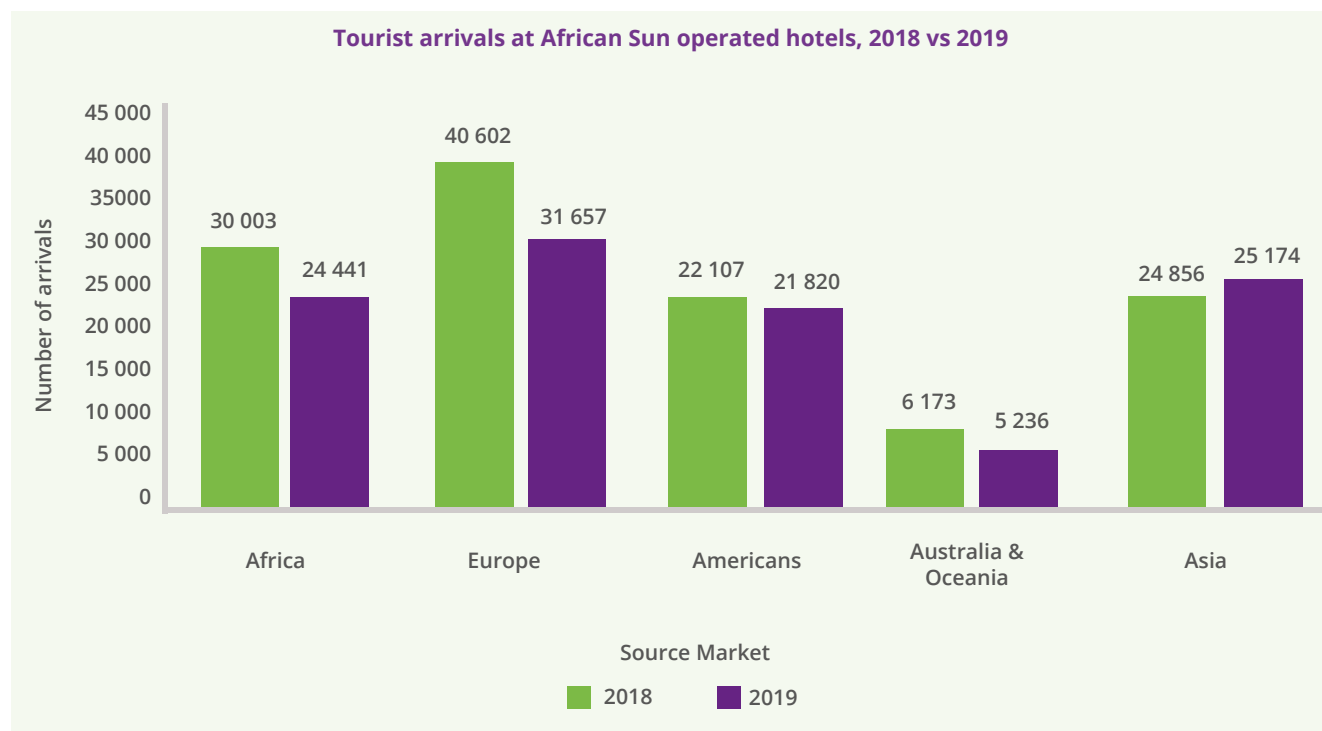
1.5 billion international tourist arrivals were recorded in 2019 globally, growth of 4% compared to 2018. All regions recorded a rise in international arrivals in 2019. However, the then uncertainty surrounding Brexit, the collapse of Thomas Cook, geopolitical and social tensions and the global economic slowdown all contributed to a slower growth in 2019 than had been previously projected, when compared to the growth rates of 2017 and 2018. This slowdown affected mainly advanced economies particularly Europe, Asia and the Pacific.

Continental growth in tourist arrivals in 2019 were reported as follows: the Middle East: 8%; Asia and the Pacific: 5%; Africa and Europe: 4% each; while the Americas recorded a modest 2%.

In 2019, tourist arrivals of 2.3 million recorded in Zimbabwe, represent a decrease of 11% in comparison to 2018. The global tourism industry recorded an estimated US\$1.25 billion in tourism receipts in 2019. Consequently, international tourist arrivals into the Group's hotels decreased by 12% from 123,741 recorded in 2018 to 108,328.

Amongst the 5 major source markets for the Group, only Asia recorded an increase of 1% from 24,856 up to 25,174. All other source markets recorded negative growth with the most significant decline attributable to the European market which was down by 22%, followed by Africa which fell by 19%. Australia and the Americas also declined by 15% and 1% respectively compared to last year.

Foreign arrivals into the Group's hotels is depicted in the graph below.



International tourist arrivals were largely depressed given protests which rocked the country in January 2019 and to some extent exacerbated by the image issues relating to economic challenges together with fuel and power shortages. However, it is also important to highlight that 2018 benefited significantly from election related business and a more stable local macro-economic environment.

DIRECTORS' REPORT (CONTINUED)

BUSINESS SEGMENT REVIEW

Hospitality - African Sun

Refer to note 7 of the financial statements for key statistical information on performance of this business segment.

African Sun operates 11 hotels, three of which are under the Holiday Inn brand. Of the 11 hotels, four are leased from parties outside the Group whilst the remainder are leased from a fellow Group subsidiary – Dawn.

Following the termination of the hotel management agreement between African Sun and the Legacy Hospitality Group during the year, the operation and management of the four hotels hitherto under Legacy has now reverted to African Sun and the subsidiary has successfully completed the re-integration of the same to the pool of hotels operated and managed in-house. All the hotels operated by African Sun, save for the Victoria Falls hotel, which is operated under a partnership model, are now managed in-house.

The hotel operation is now segmented into three categories namely, country and city hotels, resorts hotels and the partnership. City and country hotels mainly target conferencing and business travellers, whilst resorts hotels mainly service leisure travelers and conferencing.

City and country hotels

This segment is made up of the Monomotapa, Holiday Inn Harare, Holiday Inn Bulawayo, Holiday Inn Mutare and Troutbeck hotels. The segment mainly focuses on conferencing, government, quasi government and corporate business.

The segment started the year on a low note due to the January 2019 violent demonstrations and stay-aways which led to cancellations and deferred bookings. The table below highlights the 3-year key performance indicators ("KPIs") for the city and country hotels:

| Country and city hotels KPIs | 2019 | 2018 | 2017 |
|--|--------|--------|--------|
| Revenue (US\$000) | 23 949 | 32 390 | 23 086 |
| Occupancy (%) | 55% | 68% | 59% |
| Average Room Rate ("ARR") (US\$) | 81 | 92 | 75 |
| Revenue Per Available Room ("RevPAR") (US\$) | 45 | 62 | 44 |
| Total Revenue Per Available Room ("Total RevPAR") (US\$) | 85 | 118 | 82 |

Occupancy declined by 13% from 68% to 55%. 2018 benefitted from a relatively stable economy, and the national elections.

During the year, US\$2.38 million worth of refurbishments were undertaken and completed, mainly focusing on restaurants and gym facilities at the Holiday Inn Harare, the Holiday Inn Bulawayo and the Holiday Inn Mutare, in order to be in line with brand standards and improve customer satisfaction. Guest feedback on refurbishments and soft furnishings completed thus far has been positive. The hotels under Intercontinental Hotel Group ("IHG") brand remained brand compliant after the annual assessments carried out in 2019.

The Group's next major refurbishment exercise will focus on the Monomotapa hotel, which on completion would result in the hotel being operated under an IHG brand. The renovation project, estimated to cost US\$9 million, which was anticipated to commence, complete and be commissioned in 2020 will likely spill over to 2021 due to the business interruption precipitated by COVID - 19. The Group is excited about this project which we anticipate will go a long way in meeting guest satisfaction, simultaneously improving the financial performance of the hotel. The Troutbeck Resort is expected to undergo significant room refurbishments commencing later in 2020 in order to maintain its leading position in Nyanga.



DIRECTORS' REPORT (CONTINUED)

BUSINESS SEGMENT REVIEW (CONTINUED)

Hospitality - African Sun (continued)

Resorts hotels

The hotels under this segment comprise the Elephant Hills Resort and Conference Centre, the Kingdom at Victoria Falls, Hwange Safari Lodge, Great Zimbabwe and the Caribbea Bay Resort. The hotels are strategically located in the major resort destinations of Victoria Falls, Kariba, Hwange and Masvingo.

The table below highlights the 3-year key performance indicators ("KPIs") for the resort hotels:

| Resort hotels KPIs | 2019 | 2018 | 2017 |
|---------------------|--------|--------|--------|
| Revenue (US\$000) | 22 140 | 27 646 | 21 109 |
| Occupancy (%) | 40% | 49% | 44% |
| ARR (US\$) | 106 | 109 | 93 |
| RevPAR (US\$) | 42 | 54 | 41 |
| Total RevPAR (US\$) | 76 | 95 | 73 |

The segment performed below expectation during the year. This was due to decline in arrivals across all source markets. The Hong Kong unrests had negative impact on arrivals into the Victoria Falls destination, adversely impacting volumes at the Kingdom at Victoria Falls hotel.

However, the Victoria Falls based hotels continued to benefit from improved air access as a result of the Victoria Falls airport and runway expansion and improved visibility of the hotels on the web and online bookings platforms. Accessibility has negatively affected the Caribbea Bay Resort and the Great Zimbabwe hotel as the state of the roads has deteriorated over the years. This continues to negatively impact the two destinations' competitiveness, resulting in the loss of both conferencing and leisure business. The Group is however confident that the construction of Beitbridge to Chirundu highway, which is currently underway, will improve accessibility to the two destinations and ultimately will benefit both hotels.

As part of continuous product improvement, the Caribbea Bay Resort and the Great Zimbabwe hotel launched tented campsites with a combined capacity of 75 rooms accommodating a maximum of 150 people. This exciting, new product offering has been well received.





BUSINESS SEGMENT REVIEW (CONTINUED)

Hospitality - African Sun (continued)

Partnership

This segment comprises The Victoria Falls Hotel; an affiliate of the Leading Hotels of the World (“LHW”) which is jointly operated with Meikles Hospitality (Private) Limited. The hotel is predominantly a foreign guest patronised hotel, with over 95% of its market skewed towards the foreign market.

Below is a summary of the trend analysis of the key performance indicators for the hotel;

The table below highlights the 3-year key performance indicators (“KPIs”) for the Victoria Falls hotel:

| Partnership | 2019 | 2018 | 2017 |
|---------------------|-------------|-------------|-------------|
| Revenue (US\$000) | 8 211 | 8 134 | 7 451 |
| Occupancy (%) | 60% | 66% | 63% |
| ARR (US\$) | 302 | 268 | 254 |
| RevPAR (US\$) | 182 | 177 | 161 |
| Total RevPAR (US\$) | 280 | 279 | 255 |

Occupancy was negatively impacted by the early 2019 violent demonstrations, Brexit uncertainties and a weaker South African rand. Notwithstanding, The Victoria Falls hotel had the best RGI of 1.52 in its competitive set which includes top of the range hotels in the Victoria Falls, Zimbabwe and Livingstone in Zambia.

DIRECTORS' REPORT (CONTINUED)

BUSINESS SEGMENT REVIEW (CONTINUED)

Real estate – Dawn Properties

Refer to note 7 of the financial statements for key statistical information on performance of this business segment.

The real estate operations are arranged into three clusters namely, commercial property holding, property consultancy and property development.

Commercial property holding

Dawn owns 7 hotels which are all leased to African Sun under variable rental lease arrangements:

| Hotel | Number of rooms | Location | Type |
|---------------------|-----------------|----------------|----------------------------|
| Carribea Bay | 83 | Kariba | Resort |
| Monomotapa | 245 | Harare | City hotel |
| Elephant Hills | 276 | Victoria Falls | Resort & Conference Centre |
| Great Zimbabwe | 47 | Masvingo | Resort |
| Hwange Safari Lodge | 106 | Dete | Resort |
| Troutbeck | 70 | Nyanga | Resort |
| Holiday Inn | 96 | Mutare | City hotel |
| TOTAL | 923 | | |

The former Beitbridge Express Hotel, a 102-room property at the border town of Beitbridge is currently partially leased as long stay accommodation. The rent yield dropped from 5.4% in 2018 to 1.7% in 2019 largely because of the currency volatility, as well as reduction in revenues recorded by African Sun. From a Group perspective, these hotels are reported as part of the Group's owner-occupied properties.

Dawn also owns four redevelopment sites being the 9-hectare former Lake View Inn hotel and the 23-hectare Marineland Harbour properties both in Kariba, the 210-hectare former Brondesbury Park Hotel property in Juliasdale and the 2,300-hectare Katshana Farm at Dete (Hwange). The Group is still working on plans to redevelop the Lake View Inn and Katshana Farm properties to boutique style facilities when the economic environment improves.



DIRECTORS' REPORT (CONTINUED)

BUSINESS SEGMENT REVIEW (CONTINUED)

Real estate – Dawn Properties (continued)

Property consultancy

The consultancy business is organized into two main business units namely property management services and valuation advisory services. Under property managements services, the business manages over 400,000 square metres of lettable space and some 900 lease contracts. Increasing voids continued to put downward pressure on rent while the currency volatility had a negative impact on performance in 2019.

The valuation advisory unit on the other hand benefited from the currency changes during the year, which necessitated revaluation of assets.

The property consultancy unit recorded revenues of US\$0.8 million, relative to US\$2.4 million recorded in the prior year. The reduction was attributable to the adverse impact of the currency developments in Zimbabwe, as well as the challenging macro-economic environment which resulted in subdued rent collection.

Property development

Property development assumed a new prominence for the Group in 2019 as part of a value preservation strategy given the inflationary economic environment. As a result, the ZWL rental revenue earned by Dawn was predominantly deployed to property development.

Dawn embarked on its second development project, having completed the initial one that delivered 58 completed residential units in Marlborough, Harare. The current project, Phase 1A of the Marlborough Sunset Views ("MSV") project in Harare, kicked off during the third quarter of 2018. On completion, one phase in the project will deliver 65 residential plots of approximately 2,000 square metres each. However, completion of the project has been adversely impacted by the Group's decision to cease all capital expenditure projects as part of survival response to the COVID – 19 outbreak. The Group is still confident that the project would still be completed before the end of 2020.

On full completion of the MSV, 295 residential plots measuring at least 2 000 square metres each would be delivered. This is anticipated to have a notable impact on revenues and profitability in years ahead.

The Group envisages to continue building a sustainable residential property bank as it sees viable opportunities in the respective market. As at the reporting date, the Group held 322 hectares of residential land in Harare.

The remaining 22 of the 58 units that were delivered under the Elizabeth Windsor project were taken off the market due to a volatile currency environment. The unsold units, whose value was US\$2.6 million as at the reporting date, are held for value preservation and capital appreciation in the interim.



BUSINESS SEGMENT REVIEW (CONTINUED)

Logistics – FML Logistics

The Logistics business is being reported as a separate segment for the first time in the current year. Although this particular segment does not meet any of the quantitative thresholds in accordance with IFRS 8, “Segment reporting” to constitute a reportable segment, the Group has decided to report and separately disclose the same, as it believes that information about the segment would be useful to users of the financial statements.

The logistics business comprises 23 trucks predominantly engaged in the business of ferrying petroleum products into the Democratic Republic of Congo (DRC”) and Zambia. Rarely does the business serve the Zimbabwean market. As a result, the logistics business’ revenues are predominantly earned in foreign currency.

Traditionally hamstrung by significant debt, high operating expenses and ultimately losses, the business has struggled over the years to contribute to the Group returns. However, 2019 witnessed a change in the fortunes of the business as it recorded US\$1m profit, relative to a break-even position in the prior year. This was a positive result arising mainly from the following interventions:

- a. The settlement of debt amounting to US\$2.2 million during the year which has resulted in a debt-free operation; and
- b. Changes in the management team which led efforts in implementation of better cost containment strategies and improved efficiencies with which the trucks are deployed.

The segment recorded revenues amounting to US\$2.64 million, increase of 3% relative to the prior year revenue of US\$2.55 million and comparable earnings before interest, depreciation and amortisation (“EBITDA”) for the year stood at US\$0.8 million, relative to US\$0.6 million recorded in the prior year.

The Group sees opportunities within this sector for as long as there is no direct pipeline linking Beira in Mozambique with Zambia and the DRC and will continue to interrogate if this is a sector the Group would consider increasing footprint.



DIRECTORS' REPORT (CONTINUED)

FINANCIAL RESULTS

Revenues

The Group's revenue recorded a 27% decline to US\$58.1 million from US\$79.3 million recorded during the 2018 comparative period. Notable revenue decrease was recorded across all segments. The decrease in revenues is primarily attributable to:

- a. decrease in hotel occupancies to 48%, relative to 59% the prior year. The comparable period benefited from a relatively stable economy and election related activities. The local market was negatively affected by the January 2019 protests and low disposable incomes, with room nights declining by 15% from 214,892 reported in the prior year to 181,698 for period under review.

The international market was affected by the general slowdown in world travel by 3%, as well as instability in some source markets such as the civil unrest in Hong Kong which affected arrivals in the Victoria Falls destination. Consequently, foreign room nights reduced by 21% from 134,639 reported in the prior year to 106,526 during the period under review.

- b. the translation impact of the revenues in line with the requirements of International Accounting Standard ("IAS") 21 – *The effects of changes in foreign exchange rates* following the formal establishment of an exchange rate between the ZWL and the US\$ in February 2019. Post implementation of requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies, current year Zimbabwe based revenues were translated at an exchange rate of 1US\$: 16.7734ZW\$ for the year.

In contrast, revenues for the comparative period were recognised on a 1:1 parity position between the ZW\$ and the US\$.

The Hospitality segment remains the major driver of total revenue, with contribution of 94% of the total current year Group revenue. Revenue from this segment decreased by 20% to US\$54.5 million, compared to US\$68.5 million recorded over the same period in the prior year. The decline is largely attributable to the factors noted earlier.

Operating expenses

At US\$31.2 million, Group operating expenses recorded a 34% decrease in comparison to the prior year of US\$47.5 million. The major segment; hospitality recorded a decrease in operating expenses of 24% from US\$37.8 million in 2018 to US\$30.4 million during the year under review, partly due to the currency translation impact and better cost containment strategies which were recorded across the Group.

Debt and finance costs

The Group successfully completed its debt reduction initiatives during the year. In that regard, the US\$17.1 million that was outstanding as at the beginning of the year was significantly reduced to US\$0.46 million as at the end of the year under review. The debt settlement was principally achieved through deployment of internally generated cashflows, rights issue proceeds and specific issue of shares to settle certain shareholder originated debt.

In response to reduction in debt, borrowings related finance charges for period under review of US\$1.2 million, represents reduction of 64% relative to the US\$3.3 million incurred over the same period in prior year.

Overall, current year net finance charges recorded decrease of 12% after recognition of additional US\$0.5 million for the first time as a consequence of implementation of IFRS 16 – Leases which became effective on 1 January 2019, and a once off cost of US\$1.1 million arising from a transaction through which borrowings were settled through issue of shares by the Company. This transaction is explained later in this report.

FINANCIAL RESULTS (CONTINUED)

Debt and finance costs (continued)

The debt and finance cost trend from 2016 to 2019 is presented below:



Profitability

Excluding the monetary gain of US\$7.4 million arising from the adoption of IAS 29 – *Financial reporting in hyperinflationary economies*, the Group recorded profit for the year of US\$13.8 million during the period under review, compared to US\$10.4 million recorded in the prior year.

Notably, the prior year profitability included once-off profits of US\$6.1 million recorded from the Group's exit of its financial services sector investments. Therefore, on a like for like basis, the current year performance is comparatively better.

SIGNIFICANT FINANCIAL REPORTING MATTERS

a. Change in functional currency for subsidiaries

All the Company's subsidiaries operate in Zimbabwe.

On 20 February 2019, the Reserve Bank of Zimbabwe (the "RBZ") announced the official designation of the existing RTGS balances, bond notes and coins in circulation then as RTGS\$, in order to establish an exchange rate between the monetary balances and foreign currencies. The RTGS\$ thus became part of the multi-currency system in Zimbabwe.

On 24 June 2019, the Ministry of Finance and Economic Development in Zimbabwe through a legal instrument (Statutory Instrument 142 of 2019), announced the immediate end of the multi-currency regime; thereby proclaiming the ZWL previously designated as the RTGS\$ as the sole legal tender for the settlement of all domestic transactions.

Prior to the announcements above the functional currency had been the US\$.

As a result of the pronouncements above and consideration of other economic variables, the Group concluded that the change in functional currency, notwithstanding the legal pronouncements on the 24th of June 2019, had in substance occurred in February 2019. The subsidiaries then adopted the ZWL as their functional and presentation currency with effect from February 2019 month-end. Financial statements for the year ended 31 December 2019 for these subsidiaries have been prepared and presented in ZWL for the first time since 2009.

DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT FINANCIAL REPORTING MATTERS (CONTINUED)

a. Change in functional currency for subsidiaries (continued)

Arden Capital Limited, the ultimate holding company's presentation currency is the US\$. Given the fact that the subsidiaries are operating in a hyperinflationary economy, their results have been translated to the US\$ equivalent on the basis of principles outlined in IAS 29 and IAS 21.

The exchange rate adopted for the purposes of translating the 2019 financial statements of the subsidiaries to the Group's functional and presentation currency was 1US\$: ZWL16.7734. In contrast, the prior year exchange rate in Zimbabwe was based on a 1:1 parity position between the ZWL and the US\$. The change in the functional currency and the deterioration in the exchange rate resulted in the recognition of significant exchange losses on translation of foreign operations of US\$59.2 million in the current year.

b. Adoption of International Financial Reporting Standard ("IFRS") 16

IFRS 16 – Leases became effective on 1 January 2019 and had an impact on the Group's financial statements. The Group leases some hotel properties from third parties under long term arrangements. IFRS 16 replaces IAS 17 – Leases.

Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). 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 adoption of the standard resulted in recognition of right of use assets and lease liabilities. As at the reporting date, the Group had recognised right-of-use assets and lease liabilities of US\$13 million and US\$2.2 million respectively. Refer to note 3.1 for further disclosures relating to impact of IFRS 16 adoption.

c. Implementation of IAS 29 – Financial Reporting in Hyperinflationary Economies

From a financial reporting perspective, there was consensus reached that the Zimbabwe economy became hyperinflationary in 2019. IAS 29 required financial statements that are prepared in the currency of a hyper-inflationary economy to be stated in terms of the value of money at the end of the reporting period.

On 11 October 2019, the Public Accountants and Auditors Board ("PAAB") in Zimbabwe issued a pronouncement advising that conditions for a hyperinflationary economy had been met in Zimbabwe and that entities were expected to commence hyperinflationary reporting in compliance with IAS 29 from the period ending on or 1 July 2019.

As a result, the Company's subsidiaries in Zimbabwe adopted IAS 29 for the purposes of the 2019 financial reporting, before the results were translated to the US\$ equivalent in accordance with the requirements of IAS 21.

d. Changes in accounting policy – property and equipment

Prior to the change in Zimbabwe's functional currency and to the economy being considered hyperinflationary, the Group had adopted the cost model in relation to measuring the carrying amount of property and equipment.

In the Group's view, continuing with the cost model in the current economic environment would have resulted in assets that are grossly understated. As a result, the Group changed to the revaluation model with effect from 30 June 2019. The impact of change in accounting policy in this regard is disclosed in note 3.2.

SIGNIFICANT FINANCIAL REPORTING MATTERS (CONTINUED)

INDEPENDENT AUDITORS' AUDIT REPORT ON THE FINANCIAL STATEMENTS

The Company's independent auditor, pursuant to an audit of the financial statements expressed an adverse audit opinion as a result of non-compliance with IAS 21 and IAS 29. In addition, the audit report also includes the independent auditor's reservation on the use of US\$ inputs used by the Zimbabwe based subsidiaries to derive the ZWL fair value of investment property and property and equipment. The independent auditor's report is on pages 41 to 45.

The non-compliance with IAS 21 that was noted emanates from the following:

- a. Until 22 February 2019, Zimbabwe operated in an official multi-currency regime where the US\$ and the ZWL were officially at par from an exchange rate perspective. As a result, for the first two months of 2019, transactions by the Company's subsidiaries in Zimbabwe were accounted for on the basis of a regulated parity position between the ZWL and the US\$. Adoption of any other exchange rate other than the official ZWL1: US\$1 for translation of US\$ to ZWL during the first two months of 2019 would have given rise to non-compliance with laws and regulations.

However, following the establishment of an interbank foreign currency trading platform and official promulgation of the end of a ZWL to US\$ parity position on 22 February 2019, foreign currency denominated transactions were translated to ZWL on the basis of the relevant inter-bank exchange rates between the ZWL and the international currencies, with effect from 1 March 2019. The maiden exchange rate was ZWL1: US\$2.5 but had since devalued to 1ZWL: US\$16 by the end of the year under review; and

- b. An adverse audit opinion was issued on the annual financial statements for the year ended 31 December 2018, on the basis of similar non-compliance with IAS 21, given rise to by circumstances similar to those documented above. This effectively impacted the comparatives contained in the current year financial statements. The basis for adverse audit opinion and explanatory notes were included in the prior year financial statements.

As noted in the independent auditor's report, compliance with IAS 21 precedes compliance with IAS 29. It was therefore not possible for the subsidiaries to comply with IAS 29 in the circumstances, notwithstanding the fact the principles of IAS29 were applied correctly.

The Zimbabwe regulatory and economic environment has made it impractical for the Directors' to fully comply with all the relevant International Financial Reporting Standards. The multi-currency regime ended on 24 June 2019, when the ZWL became the sole legal tender for settlement of all domestic transactions. As a result, the Zimbabwe economy is essentially still in a transition from being a US\$ dominated multi-currency economy. The monetary authorities have set a period of 5 years to complete the de-dollarisation process. Given the fact that 2019 was the first of an envisaged five year transitional phase, availability of ZWL inputs needed to perform a ZWL based valuation of investment property and property and equipment were not available.

The Directors are committed to ensuring that the financial statements return to full compliance with the applicable IFRSs, as soon as possible.

DIRECTORS' REPORT (CONTINUED)

CORPORATE TRANSACTIONS

a. Specific issue of shares for cash

In March 2019, the Company borrowed US\$1.49 million from some of its shareholders as part of its debt restructuring efforts. The agreement between the lenders and the Company provided for settlement of the principal and interest amounts through issue of shares by the Company.

In addition, a further agreement was reached between certain related parties and the Company that loans granted to the Company by the former in 2017 and 2018 amounting to US\$3.4 million would also be settled through issue of shares to the related parties by the Company.

Given the fact that these transactions involved related parties as defined by the JSE Listing Requirements, the Company held an extraordinary general meeting on 4 November 2019 where shareholders approved the issue of 11 532 852 new ordinary shares to the counterparties in full and final settlement of debt amounting to US\$5 million. The shares were subsequently issued between 7-11 November 2019.

b. Rights Offer

On 27 August 2019, the Company advised that it intended to raise up to R85 799 981 by way of a renounceable rights offer on 13 199 997 ordinary shares.

The Rights Offer closed on 20 September 2019 and results thereof were announced to the market on 23 September 2019. 9 427 476, representing 71.42% of the rights that were on offer were taken up by shareholders, raising equity capital of R61.3 million.

The proceeds from the Rights Offer were substantially deployed to retire debt.

c. Rebranding

At an extraordinary general meeting held on 4 November 2019, the shareholders approved the change of name of the Company from Brainworks Limited to Arden Capital Limited.

The Company had traditionally pursued a diverse range of investments under a private equity model, resulting in investments held in a number of sectors namely hospitality, real estate, financial services and logistics over the years. However, in 2017 the Board took the decision to focus and consolidate the investment sectors and exit financial services with the ultimate goal of focusing on hospitality. Given the change in the investment model and listing on the JSE in 2017, the Board considered these developments significant to warrant a new identity.

The Company's shares began trading on the JSE under the name Arden Capital Limited on 4 December 2019. The rebranding process has been completed.

GLOBAL OUTBREAK OF COVID-19

Novel coronavirus ("COVID-19"), an infectious disease which was first identified in December 2019 in Wuhan, the capital of China's Hubei province has since spread globally. As of 27 April 2020, more than 2.97 million cases had been reported across 185 countries, resulting in more than 206,000 deaths. The World Health Organisation ("WHO") officially declared COVID-19 a global pandemic on 11 March 2020. According to scenario simulations of the International Monetary Fund ("IMF"), global economic growth could fall by 0.5 for the year 2020. Several other sources are also predicting a fall in global economic growth due to the direct effects of the COVID-19 outbreak. The global economy may enter a recession at least in the first half of the year 2020, when adding the direct and indirect effects of the current global health crisis.

GLOBAL OUTBREAK OF COVID-19 (CONTINUED)

The Group's business, being predominantly tourism and hospitality focused, is expected to be adversely impacted by the ongoing global suspension of international travel activities and lockdowns. According to the United Nations World Tourism Organisation ("UNWTO"), based on the latest developments (quarantine measures, travel bans and border closures in most of Europe, which represents 50% of international tourism, and in many countries of the Americas, Africa and the Middle East), the evolutions in Asia and the Pacific and the patterns of previous crises (2003 SARS and 2009 global economic crisis), UNWTO estimates international tourist arrivals could decline by 20% to 30% in 2020. This would translate into a loss of between US\$300 to US\$450 billion in international tourism receipts (exports) – almost one third of the US\$1.5 trillion generated globally in the worst-case scenario.

According to the World Bank ("WB"), economic growth in Sub-Saharan Africa has been significantly impacted by the ongoing COVID-19 outbreak and is forecast to fall sharply from 2.4% in 2019 to between -2.1 to -5.1% in 2020, the first recession in the region over the past 25 years. The WB analysis shows that COVID-19 will cost the region between US\$37 billion and US\$79 billion in output losses for 2020 due to a combination of effects, arising from reduced foreign financing flows from remittances, tourism, foreign direct investment, foreign aid, combined with capital flight, and disruptions caused by containment measures and the public response.

The Group recorded a decline of 11 percentage points in hotel occupancy to 48% from the 59% recorded in 2018. Whilst recovery was anticipated in 2020, those positive prospects and optimism have been adversely impacted by the global outbreak of COVID-19.

Following the Government of Zimbabwe's proclamation of a 21 days lockdown period effective 30 March 2020 in-order to contain further spread of the COVID-19 pandemic, the Group consequently shut down all its 11 hotels in response to this directive. The initial lock down which was set to expire on 16 April 2020, was extended twice although there has been easing of some of the restrictions to facilitate the resumption of operations by various entities within the formal sector. As a result, the Group resumed operations on 11 May 2020, initially with 4 city hotels. The Group has implemented various health and safety measures as guided by the World Health Organization ("WHO"), InterContinental Hotels Group ("IHG") and the government of Zimbabwe at the hotels. As the pandemic evolves, the Group continues to assess the risks arising from the virus at all levels.

The Group would be assessing the business conditions to identify the optimal timing to re-open the other hotels.

Statistics as at 6 May 2020 reflect that the Group had 30 736 room nights cancelled and or deferred. As the outbreak continues to evolve, it is challenging at this point, to predict the full extent and duration of its business impact. However, it is encouraging to note that some nations have started to register promising decreases in new COVID-19 cases, lockdowns are beginning to be lifted globally and formal businesses have been allowed to resume in Zimbabwe. The Group is continuously assessing the effects of the pandemic on the business and would craft appropriate responses to mitigate the adverse impact.

In the interim, the Group has implemented the following measures among others to preserve liquidity whilst business recovers:

- a) An immediate stop to all capital expenditure programs across the Group;
- b) Restriction of payments to key business continuity creditors;
- c) Engagement with tour operators to defer bookings as opposed to cancellation;
- d) Reduction in work force with effect from 1 April 2020 to align to no or low volumes expected in the near future, mainly within the hospitality business segment;
- e) Engagement with landlords on revised sustainable rental formulas until this constrained business phase is gone; and
- f) Seeking extensions of certain brand compliance requirements without compromising service delivery to our guests.

The Zimbabwe government recently announced a ZWL18 billion (US\$720 million based on the official exchange rate) economic relief package to assist financially distressed companies in the various economic sectors. The allocation for the hospitality industry was set at ZWL500 million (US\$20 million based on the official exchange rate). However, modalities for access to the same have not yet been clarified.

DIRECTORS' REPORT (CONTINUED)

GLOBAL OUTBREAK OF COVID-19 (CONTINUED)

As business resumes, the Group will face pressure arising from fixed and unavoidable costs as revenues recover. The cash resources that are available in the Group (which are held primarily in foreign currency), in the absence of significant external commitments such as debt obligations as was the case in the prior years, are expected to be reasonably sufficient for the Group to be able to withstand the adverse impact arising from the current business interruption.

The directors are optimistic that the Group will resume operations without significant liquidity constraints.

OUTLOOK

The fiscal and monetary authorities are expected to continue implementing measures aimed at stabilizing the key economic fundamentals namely the inflation, exchange rate and foreign currency supply among others, in addition to new measures aimed at assisting companies and the citizenry recover from the adverse economic impact of the COVID-19 pandemic.

The second half of the year ordinarily represents the peak business season for the hospitality segment. However, the COVID 9 outbreak which has disrupted global business and in particular international travel, would have an adverse impact on the performance of the Group in 2020.

Notwithstanding the adverse impact of COVID - 19, the Group firmly believes that as soon as the pandemic is contained and international travel resumes, tourism will recover. As a result, the Group will continue with its hospitality focused investment approach and improving the current product offering through ongoing refurbishments, simultaneously seeking to increase its footprint in Zimbabwe's major tourist destinations.

SHAREHOLDING

The Company's summarised shareholding structure as at 31 December 2019 was as follows:

| | Number of ordinary shareholders | Percentage of total | Number of shares | Percentage of issued shares |
|--|---------------------------------|---------------------|--------------------|-----------------------------|
| Ordinary shareholders | | | | |
| SIZE OF SHAREHOLDING (shares) | | | | |
| 1 - 1000 | 45 | 42.06% | 14 194 | 0.01% |
| 1 001 - 10 000 | 15 | 14.02% | 46 603 | 0.04% |
| 10 001 - 100 000 | 11 | 10.28% | 572 127 | 0.49% |
| 100 001 - 1 000 000 | 25 | 23.36% | 8 006 557 | 6.83% |
| Over 1 000 000 | 11 | 10.28% | 108 627 042 | 92.63% |
| | 107 | 100.00% | 117 266 523 | 100.00% |
| PUBLIC/NON-PUBLIC SHAREHOLDERS | | | | |
| Non-public shareholders | | | | |
| Directors of the Company (current and immediate past) | 6 | 5.61% | 2 957 359 | 2.52% |
| Nominee of a Group company | 1 | 0.93% | 7 775 000 | 6.63% |
| Strategic holding (more than 10%) | 2 | 2.80% | 80 899 239 | 68.99% |
| | 9 | 9.34% | 91 631 598 | 78.14% |
| Public shareholders | 98 | 90.66% | 25 634 925 | 21.86% |
| Total listed shareholders | 107 | 100.00% | 117 266 523 | 100.00% |
| BENEFICIAL SHAREHOLDERS HOLDING MORE THAN 5% OF SHARE CAPITAL | | | | |
| JPMBSA Re Private Bank account* | | | 69 014 502 | 58.85% |
| SG Nantes Global Securities | | | 11 537 349 | 9.84% |
| Fintrust Pension Fund | | | 11 884 737 | 10.13% |
| Adcone Holdings SA | | | 7 775 000 | 6.63% |
| | | | 100 211 588 | 85.45% |

* The beneficial shareholders did not change between the prior and current year.

The total number of listed shares presented above includes 7 775 000 treasury shares.

SHAREHOLDING (CONTINUED)

The Company's summarised shareholding structure as at 31 December 2018 was as follows:

| Ordinary shareholders | Number of ordinary shareholders | Percentage of total | Number of shares | Percentage of issued shares |
|--|---------------------------------|---------------------|-------------------|-----------------------------|
| SIZE OF SHAREHOLDING (shares) | | | | |
| 1 - 1000 | 41 | 38.68% | 12 543 | 0.01% |
| 1 001 - 10 000 | 15 | 14.15% | 41 762 | 0.04% |
| 10 001 - 100 000 | 12 | 11.32% | 1 008 265 | 1.05% |
| 100 001 - 1 000 000 | 31 | 29.25% | 10 778 498 | 11.19% |
| Over 1 000 000 | 7 | 6.60% | 84 465 127 | 87.71% |
| | 106 | 100.00% | 96 306 195 | 100.00% |
| PUBLIC/NON-PUBLIC SHAREHOLDERS | | | | |
| Non-public shareholders | | | | |
| Directors of the Company | 6 | 5.66% | 1 930 000 | 2.00% |
| Nominee of a Group company | 1 | 0.94% | 8 497 223 | 8.82% |
| Strategic holding (more than 10%) | 3 | 2.83% | 73 514 934 | 76.34% |
| | 10 | 9.43% | 83 942 157 | 87.16% |
| Public shareholders | 96 | 90.57% | 12 364 038 | 12.84% |
| | 106 | 100.00% | 96 306 195 | 100.00% |
| BENEFICIAL SHAREHOLDERS HOLDING MORE THAN 5% OF SHARE CAPITAL | | | | |
| JPMBLSA Re Private bank account | | | 52 811 342 | 54.84% |
| SG Nantes Global Securities | | | 10 046 350 | 10.43% |
| Fintrust Pension Fund | | | 10 657 242 | 11.07% |
| Adcone Holdings SA | | | 8 497 223 | 8.82% |
| | | | 82 012 157 | 85.16% |

The total number of listed shares presented above includes 7 775 000 treasury shares.

DIVIDENDS

No dividend was declared in respect of the 2019 financial year (2018: US\$ nil).

For and on behalf of the Board



Simon. F Village
Chairman

DIRECTORS' DECLARATION

for the year ended 31 December 2019

In the opinion of the directors of Arden Capital Limited, the financial statements and notes set out on pages 46 to 125 have been prepared in accordance with IFRS, except for the non-compliance with IAS 21 and IAS 29 by the subsidiaries of the Group, therefore do not give a true and fair view of the financial position of the Group as at 31 December 2019 and the results of their financial performance and their cash flows for the year then ended.

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

These annual financial statements have been prepared under the supervision of the Chief Finance Officer, Mr. Peter Saungweme, a member of the Institute of Chartered Accountants Zimbabwe ("ICAZ"), membership number M3312, and registered under the Public Accountants and Auditors Board ("PAAB") membership number 1037.



PETER SAUNGWEME
CHIEF FINANCE OFFICER



CHIPO MTASA
CHAIRPERSON -AUDIT AND RISK COMMITTEE

27 May 2020

PREAMBLE

Corporate governance is an integral part of the Group's business strategy. The directors of the Company accept responsibility for compliance with the required principles underpinning effective corporate governance practice throughout the Group. The Company adopted King IV and its best practice recommendations. The Board is of the opinion that the Group substantially complies with the key requirements of King IV and the International Integrated Reporting Framework. The Board, with assistance from Group Legal Counsel reviews compliance with the King IV and International Integrated Reporting Framework recommendations and monitors and evaluates areas of non-compliance. A full report of the Company's compliance with the King IV principles is available on <http://www.arden-capital.com/investor-relations/corporate-governance>.

BOARD OF DIRECTORS

The Company employs a unitary board system with nine directors comprising one executive director and eight non-executive directors, four of whom are independent. The Board provides effective leadership based on a stated ethics policy to ensure that the Company and the Group are responsible corporate citizens and that all deliberations and decisions are based on principles of accountability, fairness, responsibility, and transparency that are the cornerstone of good corporate governance. The Board ensures that ethics are managed in accordance with the Group's ethics policy and the Company and its subsidiaries conduct their business in the best interest of all stakeholders.

The Board has a formal code setting out its responsibilities and is ultimately accountable for good corporate governance. The Board's responsibilities centre on providing a clear strategic vision ensuring that there is adequate succession planning at senior levels, reviewing operational performance and management, determining policies and procedures aimed at enhancing the integrity of the group's risk management and internal controls, creating clear communication channels and controlling director selection, orientation and evaluation.



The Company's non-executive directors bring an independent view to the Board's decision making on issues such as strategy, human capital, sustainability, capital deployment and stakeholder relationships.

At each Annual General Meeting ("AGM"), directors comprising one-third of the aggregate number of non-executive directors are subject, by rotation, to retirement and re-election by shareholders in accordance with the Company's Memorandum of Incorporation. The Board meets at least four times a year, with additional meetings called if required.



Documentation and information relevant to a meeting is supplied on a timely basis to the Board, ensuring well-informed and reasoned decisions. The directors have unrestricted access to Group Legal Counsel and the Company Secretary and, where applicable, may seek the advice of independent professionals on matters concerning the affairs of the Company and the Group.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board of directors' profiles



| Director | Qualifications and experience |
|---|--|
| <p>Simon. F. Village Citizenship: United Kingdom Position: Chairman Appointed on: 25 January 2016</p> <hr/>  | <p>Simon Village, a resident of the United Kingdom, is the founding director of Argentum Limited, a company with substantial relationships across Africa, and a proven record of accomplishments in business development and corporate finance services to emerging corporates in Southern, Central and Eastern Africa. Simon has served on the boards of numerous international companies, and has led a number of successful global initiatives, the foremost of these being the development of a series of commodity-backed funds, which his team listed in 13 countries, and which revolutionised the gold market, attracting some US\$100 billion of new investment into that sector. Simon also led the financing and development of a number of resource companies, where Simon served as a director, including raising some US\$500 million required for building the first gold mine in the DRC since that country's independence. Prior to this, Simon was a Managing Director with HSBC in London, having worked his way up through HSBC as a top-ranked Financial Analyst to Head of Research for their emerging markets business, before being appointed as Managing Director of the securities business in South Africa. Prior to that Simon worked for De Beers in Southern Africa. Simon holds a Bachelor of Engineering (Honours) degree in Mining Engineering from the Camborne School of Mines in the United Kingdom.</p> |
| <p>Peter Saungweme Citizenship: Zimbabwe Position: Interim Chief Executive Officer and Chief Finance Officer Appointed on: 1 April 2017</p> <hr/>  | <p>Peter Saungweme is a Chartered Accountant (Zimbabwe). He holds Bachelor of Accounting Science Honours and Bachelor of Accounting Science degrees from the University of South Africa ("UNISA"), Certificate of Theory in Accounting ("CTA") and an Advanced Diploma in Auditing.</p> <p>He possesses strong financial management skills having been the Finance Director of Dawn Properties Limited, a ZSE listed subsidiary of the Company, Financial Controller of Ecobank Zimbabwe Limited and Chief Finance Officer of Cell Holdings (Private) Limited, a holding company with subsidiaries and associates with interests in short term and medical insurance.</p> <p>Peter has 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. Peter sits on the board of directors of two ZSE listed entities namely Dawn Properties Limited and African Sun Limited.</p> |

Board of directors' profiles (continued)



| Director | Qualifications and experience |
|--|---|
| <p>Chipo Mtasa Citizenship: Zimbabwe Position: Lead independent non-executive director and Deputy Chairperson Appointed on: 19 November 2018</p> <hr/>  | <p>Chipo Mtasa is the current Managing Director of TelOne (Private) Limited. She took over the parastatal when it was ailing, and through cost-cutting and revenue-increasing strategies, she turned the company around. Today TelOne is a key player in the national Information Communication Technology (ICT) industry.</p> <p>A Chartered Accountant by profession, Chipo graduated with an Honours Degree in Accounting from the University of Zimbabwe. She holds an Executive Management Development Certificate with Wharton Business School, United States of America. In recognition of her work, in contributing to the empowering of women and girls in the country as well as consistent business leadership, she was awarded an Honorary Doctorate of Philosophy Degree in Business Management by the Women's University in Africa</p> <p>A seasoned executive by repeated appointments and achievements, Chipo has leveraged intense product and technical expertise to build competitive advantage for the companies she has led, which include the Rainbow Tourism Group, the second largest hospitality player in Zimbabwe also listed on the Zimbabwe Stock Exchange. She currently sits on various boards of listed and international entities which include FBC Holdings Limited Group, Zimplats Holdings Limited and West Indian Ocean Cable Company.</p> |
| <p>Richard Godfrey Muirimi Citizenship: Zimbabwe Position: Non-executive director Appointed on: 9 July 2015</p> <hr/>  | <p>Richard Muirimi has significant experience in pension and employee benefits services. In 1995 he founded, and is currently the Managing Director of Comarton Consultants (Private) Limited ("Comarton"). Comarton is a leading pension fund administrator in Zimbabwe, administering at least 40 pension funds.</p> <p>Richard was the non-executive chairman of Kingdom Financial Holdings Limited ("KFHL") on its formation in 1995 until he resigned from the board in 2005. During that period as Chairman of KFHL, he guided KFHL through the initial capitalisation through private placement, the IPO of KFHL on the Zimbabwe Stock Exchange, the establishment of subsidiaries in asset management, merchant banking, commercial banking and stock broking and regional expansion.</p> <p>Richard was previously the Chairman of the Zimbabwe Association of Pension Funds from April 2002 to February 2004. He was the Deputy Chairman of the Insurance and Pensions Commission from November 2005 to December 2012. He has also previously held senior positions in Zimnat Life Assurance Company (Private) Limited (1995 - 1998) and AON/Minet Insurance Brokers (Private) Limited (1982 - 1995). He is also member of a number of Boards across the country including Zimbabwe Asset Management Corporation (Private) Limited ("ZAMCO"), a subsidiary of the Reserve Bank of Zimbabwe. In 1987 Richard graduated as a fellow of the Executive Development Programme from the University of Zimbabwe.</p> |

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board of directors' profiles (continued)

| Director | Qualifications and experience |
|--|---|
| <p>Audrey Mamoshoeshoe Mothupi Citizenship: South Africa Position: Independent non-executive director Appointed on: 6 September 2016</p> <hr/>  | <p>Audrey Mothupi is a businesswoman, entrepreneur and the Chief Executive Officer of SystemicLogic Group, a global financial innovation and technology disruptor.</p> <p>She currently serves on the following boards: Pick 'n Pay, Life HealthCare and Arden Capital. She serves as Chairman of the following non-profit boards: Orange Babies of South Africa (HIV/Aids), Numeric Board of South Africa (Maths) and Roedean School (SA). Prior to SystemicLogic Group, Audrey served as the head of inclusive banking at the Standard Bank Group and Chief Executive of group strategic services at Liberty Group. As a result her experience spans across various business domains including group strategy, talent design, marketing and communications strategy, integrated with strong corporate relationship management.</p> |
| <p>George Sidney John Bennett Citizenship: South Africa Position: Independent non-executive director Appointed on: 8 July 2016</p> <hr/>  | <p>George Bennett has over 30 years experience in finance and management, and has been a partner and director with a number of leading financial institutions including Fergusson Bros, Simpson Mckie, and HSBC Securities (Proprietary) Limited.</p> <p>In 2003 George became CEO of Shanta Gold Limited ("Shanta"), an exploration company based in Tanzania which he successfully listed on the London Stock Exchange in 2005. Shanta is still a gold producer today. In 2006 George acquired and restructured MdM Engineering, an engineering company building mineral process plants and mining infrastructure all over Africa. In 2008 George listed MdM on the London Stock Exchange, which over the next 8 years generated over US\$57 million of pre-tax profits for its shareholders. In March 2014 George successfully negotiated and managed the sale of MdM Engineering to Amec Foster Wheeler and has now teamed up with Simon Village at Argentum Energy where he has taken the role of Managing Director.</p> |

Board of directors' profiles (continued)

| Director | Qualifications and experience |
|--|--|
| <p>Manisha Ramphul Citizenship: Mauritius Position: Independent non-executive director Appointed on: 28 June 2019</p> <hr/>  | <p>Manisha Ramphul has over 10 years experience in the global business sector in Mauritius. She started her career with International Financial Services Limited in 2009 and thereafter joined CIM Global Business as Senior Administrator in 2010, where she performed the global business companies' administration prior to moving to Adansonia Management Services Limited in 2018. She currently serves as Team Leader of Adansonia Management Services Limited. In addition to her current role, she also serves as a director on other boards and fulfils the compliance function for a number of entities.</p> |
| <p>Zain Mehtab Madarun Citizenship: Mauritius Position: Independent non-executive director Appointed on: 28 June 2019</p> <hr/>  | <p>Zain Mehtab Madarun has over 10 years experience in the global business sector in Mauritius. As a Fellow Member of the Association of Chartered Certified Accountants, she started her career with CIM Global Business where she performed a Team Leader role in fund administration and managed a team of 10 staff members prior to moving to Inter-Ocean Management Limited (now Maitland (Mauritius) Limited) in 2011 as Senior Client Services Manager. In 2015, Mrs Madarun, along with two other partners, founded the Adansonia Group and became a shareholder in Adansonia Holdings Limited. She currently serves as the Managing Director of Adansonia Management Services Limited. In addition to her current role in the Adansonia Group, she also serves as a director on other boards and fulfils the compliance function for several entities and acts as Company Secretary to TSX and JSE listed entities.</p> |

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board of directors' profiles (continued)

| Director | Qualifications and experience |
|--|--|
| <p>Simon Nyarota Citizenship: Zimbabwe Position: Independent director Appointed on: 19 November 2018</p> <hr/> | <p>Simon Nyarota obtained a Bachelor of Arts Economics and Statistics degree (National University of Lesotho), M. Math (Statistics) and M. Math (Actuarial Science) (both from the University of Waterloo, Ontario, Canada). He has over 35 years of extensive work experience in the Zimbabwean financial, banking, insurance and investment sectors with additional experience in macroeconomic and financial research and analysis. He was with the Reserve Bank of Zimbabwe for a total of 20 years, 14 of which he was Director-Economic Research and Policy. He was also employed by Trade and Investment Bank as a senior official in Project Finance as an Executive Director at Barbican Holdings Limited, and as an actuarial assistant at Southern Life Association, Southampton Assurance and Old Mutual. Simon is heavily involved in macroeconomic research within the Southern Africa Development Community ("SADC"). He is a past Chairman of the Macroeconomic Sub-Committee and the Research Review Panel of the SADC Committee of Central Bank Governors ("CCBG"). He has also worked with other regional and international institutions which include the Common Market for Eastern and Southern Africa ("COMESA"), the Macroeconomic and Financial Management Institute of Eastern and Southern Africa ("MEFMI"), the World Bank, the International Monetary Fund ("IMF"), and the African Development Bank ("AfDB"). He is currently the Managing Consultant of Tsoka Capital (Private) Limited.</p> |



ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are independent of each other and they function under separate mandates issued by the Board. This differentiates the division of responsibility within the Company and ensures a balance of authority. The Board is chaired by Simon Village, a non - executive director of the Company. The Chairman is responsible for providing leadership to the Board, overseeing its efficient operation and ensuring good corporate governance practices. The Chairman is not considered to be independent due to his relationship with a material shareholder of the Company. The role of lead independent non - executive director, is held by Mrs Chipo Mtasa.

Peter Saungweme is the Chief Executive Officer of the Company and is responsible for the management of the day-to-day operations and affairs in line with the policies and strategic objectives set out and agreed to by the Board. The Chief Executive Officer is supported by the Group's Executive Committee of which he chairs a monthly meeting where the Group's results, performance and prospects are reviewed. The Chief Executive Officer reports at each Board meeting the strategy, updates performance and prospects of the Group and any other material matters arising.

INDEPENDENCE OF THE BOARD

The Board maintains its independence through:

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

INDEPENDENT NON EXECUTIVE DIRECTORS

The criteria used to determine whether a Director is an independent non-executive director is an assessment of independence in fact and in the perception of a reasonably informed outsider.

The independence of an independent non-executive director is assessed annually by the Board on the following criteria:

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

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

DIRECTORS' INTERESTS IN CONTRACTS AND CONFLICT OF INTERESTS

A full register of Director's interests is maintained and each Director certifies that the list is correct at each board meeting. Directors are required to inform the Board of conflicts or potential conflicts of interest that they may have in relation to particular items of business and are obliged to recuse themselves from discussions or decisions in relation to such matters. Directors are also required to disclose their other directorships at least annually and to inform the Board when any changes occur.

INSURANCE

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

BOARD MEETING ATTENDANCE

The record of each director's attendance to the Board and its Committee meetings held during the year ended 31 December 2019 is as follows:

| | Main Board | Audit and Risk Committee | Investments Committee | Remuneration and Nominations Committee | CSR* and Ethics Committee |
|----------------------------------|------------|--------------------------|-----------------------|--|---------------------------|
| Number of meetings held | 6 | 5 | 4 | 4 | 3 |
| Directors' attendance | | | | | |
| Mr. Simon F.W Village | 6 | 2 [^] | 1 [^] | 4 | 1 [^] |
| Mrs. Chipo Mtasa | 5 | 5 | 2 [^] | 3 | 2 [^] |
| Mr. Simon Nyarota | 6 | 3 (RC) | ** | ** | 3 |
| Mr. George S.J Bennett | 6 | 4 | 3 | 4 | 1 [^] |
| Ms. Audrey M. Mothupi | 5 | ** | 4 | ** | 3 |
| Mr. Richard N. Charrington ® | - | ** | ** | ** | ** |
| Mr. Richard G. Muirimi | 4 | ** | 3 | 3 | 1 © |
| Mr. Brett I. Childs ® | 1 | 2 [^] | 1 [^] | 1 [^] | 1 [^] |
| Mr. Peter Saungweme | 6 | 5 [^] | 4 [^] | 4 [^] | 3 [^] |
| Mrs. Zain Madarun © | 2 | - | 1 [^] | 1 [^] | 1 [^] |
| Mr. Muhammad Muntasir NAWOOL (A) | 1 | 1(A) | ** | ** | ** |
| Mrs. Seetul Manisha Ramphul © | 3 | 3 [^] | 3 [^] | 3 [^] | 2 [^] |

CSR* - Denotes Corporate Social Responsibility

** - Not a member of the Committee

[^] - Not a member, attended the meetings by invitation

® - Resigned during the year

(A) - alternate director to Mrs. Zain MADARUN

© - Appointed to the committee in 2019.

(RC) - Resigned from the committee in 2019.

PERFORMANCE ASSESSMENT AND DEVELOPMENT

An evaluation of the Board and the individual directors is performed annually by the Chairman. The Board has determined its own rules, functions, duties and performance criteria to serve as the basis for the performance appraisal. Although no formal director development process has been adopted, performance evaluations have been structured in such a way as to identify the training needs of directors. The Company Secretary and Group Legal Counsel assist the Board with director induction and training requirements.

EVALUATION OF COMPANY SECRETARY

Adansonia Management Services Limited (“Adansonia”) are the appointed Company Secretary, in terms of the Mauritius Companies Act. Adansonia is licenced and regulated by the Financial Services Commission of Mauritius since 2008. All directors have access to information and to the advice and services of the Company Secretary.

After assessing the Company Secretary as required by the JSE Listings Requirements, the Board concluded that Adansonia is suitably qualified, competent and meets the appropriate experience requirements to carry out the functions of Company Secretary of a public listed company. Furthermore, the Board is satisfied that Adansonia maintains an arm’s length relationship with the Board of directors and does not enjoy any related or inter-related relationship with any of the directors or executives of the Company that could give rise to a conflict of interests. Adansonia has been the Company Secretary since the second half of the year, having replaced Imara Trust Company (Mauritius) Limited.

BOARD COMMITTEES

AUDIT AND RISK COMMITTEE

Financial Reporting Procedures

The Audit and Risk Committee has satisfied itself that the Company has established appropriate financial reporting procedures and that these are operating.

The Board has ensured that the Group has an effective and independent Audit and Risk Committee (“the Committee”) which comprises suitably skilled and experienced independent non-executive directors. The following members serve on the Audit and Risk Committee:

- Chipo Mtasa (Chairperson);
- Zain Madarun; and
- George Bennett.

The Committee has formal terms of reference that have been approved by the Board. To effectively comply with its terms of reference, the independent auditor, the Chief Executive Officer, the Chief Financial Officer, and the Group Head of Legal and Compliance attend the Audit and Risk Committee meetings as standing invitees.

When appropriate the Executive directors and Officers attend the meetings by invitation. The Committee is responsible for assisting the Board in fulfilling its responsibility in respect of financial reporting and risk management. It also has a responsibility to ensure that management has implemented and maintained an effective control environment.

The Audit and Risk Committee’s terms of reference include the following:

- to review the effectiveness of the Group’s systems of internal control, including internal financial control and to ensure that effective internal control and risk management systems are maintained;
- to oversee the Group’s risk management processes with specific oversight of financial reporting risks, internal financial controls, fraud risks and Information Technology (“IT”) risks;
- to assist the Board in fulfilling its responsibilities in respect of financial reporting issues and compliance with laws and regulations;
- to monitor and supervise the effective functioning and performance of the internal auditors;
- to ensure that the scope of the internal audit function has no limitations imposed by management and that there is no impairment of its independence;
- to evaluate the independence, effectiveness and performance of the independent auditors;
- to ensure that the respective roles and functions of the independent auditor and internal auditor are sufficiently clarified and coordinated;
- to review financial statements for proper and complete disclosure of timely, reliable and consistent information and to confirm that the accounting policies used are appropriate; and
- to oversee integrated reporting and ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

AUDIT AND RISK COMMITTEE (CONTINUED)

The Committee also sets the principles for recommending the use of the independent auditor for non- audit purposes that include tax services, corporate restructuring, merger and acquisition advice and training.

The Board determines the levels of risk tolerance and has delegated to management the responsibility to implement and monitor the risk management plan and quarterly risk assessments. The Board is satisfied with the effectiveness of the system and process of risk management.

Assessment of the expertise and experience of the Chief Finance Officer

The Committee considered the competence and experience of the Company's Chief Finance Officer, Mr Peter Saungweme as required by the JSE Listing Requirements and satisfied itself that his expertise and experience meet the appropriate requirements. Peter is a Chartered Accountant (Zimbabwe) registered with the Institute of Chartered Accountants of Zimbabwe ("ICAZ") and has served in a similar role over a period of seven years before assuming the current role with the Company. The Committee also considered the competence, quality and expertise of the finance functions across the Group and concluded that they meet the appropriate requirements.

Performance of the joint external independent auditors

The Group's audit services are provided by PricewaterhouseCoopers Chartered Accountants (Zimbabwe) and PricewaterhouseCoopers Mauritius. The JSE independent auditors' services are provided by PricewaterhouseCoopers Chartered Accountants (Zimbabwe) and statutory audit services are provided by PricewaterhouseCoopers Mauritius. The Committee satisfied itself with the performance of the JSE accredited auditor and statutory auditor and that the JSE independent auditors' services are being performed by an appropriately JSE accredited auditor.

In compliance with paragraph 3.84(g)(iii) of the JSE Listings Requirements, the Audit and Risk Committee has considered, inter alia, in their assessment of the suitability of the appointment of the company's auditors and the designated individual audit partner, the information detailed in paragraph 22.15(h) of the JSE Listings Requirements.

INVESTMENTS COMMITTEE

The Investments Committee ("the Committee") has formal terms of reference that have been approved by the Board. The following members serve on the Committee:

- Richard Muirimi (Chairman);
- Audrey Mothupi; and
- George Bennett.

The responsibilities and duties of the Investments Committee are to ensure that investment acquisitions or disposals are in line with the Group's overall strategy, and ensure that appropriate due diligence procedures are followed. The Committee manages the process of capital allocation within the Group, and specifically ensures that investments increase shareholder value and meet the Group's financial criteria. The Committee assesses the viability of capital projects and/or acquisition and/or disposals of assets and the effect they may have on the Group's cash flow, as well as whether they comply with the Group's overall strategy.

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nomination Committee ("the Committee") has formal terms of reference that have been approved by the Board. The Committee consists of the following non-executive directors:

- George Bennett (Chairman);
- Chipso Mtasa; and
- Richard Muirimi.

REMUNERATION AND NOMINATIONS COMMITTEE (CONTINUED)

The Committee has adopted formal terms of reference that have been approved by the Board and includes the key responsibility of assisting the Board in:

- determining the remuneration, incentive arrangements and benefits of the executive directors of the Company, including pension rights and any compensation payments;
- determining the fees payable to the Chairman of the Board;
- determining the fees payable to the non-executive directors of the Board;
- determining the remuneration of the Executive Committee members;
- recommending and monitoring the level and structure of remuneration of senior executive employees;
- considering and deciding upon such other matters as the Board may refer to it;
- reviewing, at least annually, the committee's performance and terms of reference; and
- assisting the Board in the appointment of new directors to the Board.

Directors are appointed through a formal process. To appoint a new director, the Committee will source candidates and make proposals regarding candidates, which proposals will be followed up with curricula vitae and interviews. Candidates will then be recommended to the Board, who may conduct interviews and will then make an appointment, subject to shareholders' approval at the next AGM.

Remuneration policy

The remuneration policy, which was approved by the shareholders, addresses remuneration on an organisation wide basis and is one of the components of the Company's corporate governance policy.

Arden Capital Limited's approach to remuneration is to employ, reward, incentivise and retain employees who believe in our fundamental culture and values. The Company endeavours to encourage entrepreneurship by creating a working environment that motivates its employees to positively contribute to the Company's principles, strategy, goals and vision.

Our remuneration policy is based on the need to ensure that:

- Our business strategy aligns with our values and objectives whilst upholding the interests of our stakeholders;
- We have rules that make sure that executive remuneration is fair and responsible in the context of overall company remuneration;
- Our procedures and practices are consistent with effective risk management;
- Salaried employees are rewarded on a total rewards basis which includes fixed, variable, short-and long-term rewards;
- The fixed component of the reward includes a base salary, pension and benefits that are normally set at market median level;
- Incentives aimed at encouraging and retaining employees are clearly distinguished from those relating to rewarding performance;
- Employees are empowered to become part of an entrepreneurial culture;
- Adherence to principles of good corporate governance regulatory frameworks like the King IV Report on Corporate Governance;
- Distinctions are drawn between employees who operate in a risk-taking capacity and those who fulfil fiduciary roles. This is to ensure that the independence of employees who act in a fiduciary capacity is not compromised thereby minimizing conflicts of interests;
- Metrics used to assess performance consider the level of achievement and the risks taken in achieving that level of performance, i.e. performance measures are risk-adjusted where appropriate; and
- Incentives are based on targets that are verifiable and multiple performance measures are used to avoid manipulation of results; and
- Offer flexibility for the customisation of remuneration and benefits, i.e. work/life balance and specific business needs.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

REMUNERATION AND NOMINATIONS COMMITTEE (CONTINUED)

Remuneration structure

The Company's remuneration structure for salaried employees, which includes executive directors, consists of the following elements: fixed guaranteed remuneration package and variable remuneration (short-term and long-term incentives) and recognition. Fixed remuneration is guaranteed, and it is normally paid irrespective of the Company's performance. Variable remuneration is not guarantee and it is directly linked to, and dependent on the Company and the individual concerned achieving a certain level of performance.

| Remuneration element | Purpose | Other salient features |
|------------------------------|--|--|
| Guaranteed package | <p>The key objective of the guaranteed package is to provide the base element of remuneration that reflects the person's role or position in the Company. Guaranteed remuneration is payable for doing the expected job.</p> <p>Pays for overall job requirements, accountability and complexity of tasks. The guaranteed package ensures that the Company attracts and retains high performing individuals by paying market related guaranteed remuneration package.</p> | <p>Guaranteed remuneration is paid monthly on a total cost to company, is generally targeted at the median or 50th percentile level and benchmarked against the financial services sector.</p> <p>All employees, including Executive Directors are eligible for guaranteed remuneration.</p> |
| Short term incentives | <p>The key objective of short term incentives is to create a performance culture. This will be achieved by rewarding individuals and or teams for achieving strong annual financial and non-financial results. Performance will be measured in terms of pre-determined targets.</p> <p>Short term incentives focus on the attainment of both short term and medium term results, whilst at the same time ensuring the successful execution of the strategic plan. Short term incentives offers opportunity for pa-for-performance to incentivise employees.</p> | <p>The short-term incentive remuneration, which is usually in the form of a performance bonus is payable annually in April. Performance bonuses above a certain threshold are paid out in 2 - 4 tranches within a 1-year period. The performance bonus is based on a performance balanced scorecard where the Company performance targets are set in terms of threshold, target and performance levels. The measurement period for assessing performance against the scorecard is normally a period of 12 months coinciding with the Group's financial year.</p> <p>In general, the short-term incentive applies to all employees.</p> |
| Long term incentives | <p>The broad purpose of the Long-Term Incentives Plan ("LTIP") is to attract, motivate, retain and reward key employees who can influence the Company's performance and strategic direction. Long-term incentives are aligned to multi-year targets of growth and long-term value creation.</p> <p>These are crucial in retaining critical employees. Long term incentives focus on longer term strategic imperatives and aligns performance with shareholder thinking and expectations. Long term incentives reward employees based on sustainable company performance.</p> | <p>The Company's Executive Committee ("Exco") members and key management whose deliverables are essential and who are critical from a retention perspective, are eligible for participation in the LTIP.</p> <p>Eligible individuals are selected by the Company's Exco, and or by the Chief Executive Officer under the oversight of the Remuneration and Nominations Committee ("REMCO").</p> |

REMUNERATION AND NOMINATIONS COMMITTEE (CONTINUED)

Fair and responsible remuneration

The Company is committed to fair and responsible remuneration. Any possible remuneration disparities related to race, gender, and any other form of discrimination shall not be accepted. Any suspected remuneration disparities are investigated and addressed as soon as possible.

Any unjustifiable differences in the terms and conditions of employment, including remuneration will be identified. Unjustifiable differences in pay and conditions of employment between employees at the same level will be addressed in accordance with the "Equal Pay for Work of Equal Value" philosophy. The Company believes its employee development approach is critical in addressing remuneration disparities. This approach includes career mapping for employees, development of employees, various training courses and an extensive employee value proposition which amongst other things provides for an empowering work environment and a culture conducive to personal growth.

Remuneration of non-executive directors

The fees for non-executive directors serving on the Company and major subsidiaries' board and board committees are reviewed annually and submitted for consideration to the REMCO. The fees which require shareholder approval in terms of the law are further submitted for approval at the Company's annual general meeting. In considering adjustments to the non-executive directors' fees, various factors are considered, including a review of market analysis on the subject matter. Market benchmarking consider the size of the organisation as well as the complexity of the work performed. The Company, upon recommendation of the REMCO, will work towards benchmarking the non-executive director's fees within the range of the upper quartile (75th percentile).

Non-executive directors fees comprise a base fee (retention) and an attendance fee component. Non-executive directors and the Chairman do not receive performance incentive payments (short-term or long-term), share appreciation rights or options, pension fund benefits, loans on preferential terms or any other form of financial assistance.

Non-executive directors are entitled to receive allowances for attending meetings. They are also entitled to allowances where this is necessary to enable them to discharge their duties and obligations. Where non-executive directors incur expenses attending meetings and discharging their duties and obligations, they are entitled to be fully reimbursed for said expenses by the Company.

Non-executive director fees are approved by shareholders in advance by way of special resolution at each annual general meeting. The Chairperson of the Board and other committees are paid at higher levels than the other members and different remuneration is also paid for the different Board Committees to reflect the complexity and amount of preparation required.

Adoption of race and gender diversity policy

The Board has adopted a policy on gender and race diversity policy. However, the Board is still in the process of establishing the voluntary targets.

CORPORATE SOCIAL RESPONSIBILITY AND ETHICS COMMITTEE

In line with best practice requirements, the Group has an established Corporate Social Responsibility and Ethics Committee ("the CSRE Committee"). The following members serve on the CSRE Committee of the Group:

- Audrey Mamoshoeshoe Mothupi (Chairperson);
- Richard Muirimi; and
- Simon Nyarota.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

CORPORATE SOCIAL RESPONSIBILITY AND ETHICS COMMITTEE (CONTINUED)

The CSRE Committee:

- Oversees the development and annual review of a policy and plan for corporate social responsibility to recommend for approval to the board;
- Monitors implementation of the policy and plan for corporate social responsibility taking place, by means of social responsibility management systems and processes;
- Ensures that the corporate social responsibility plan is widely disseminated throughout the Group and integrated in the day to day activities of the Group;
- Ensures that corporate social responsibility assessments are performed on a continuous basis, and that management considers and implements appropriate corporate social responsibility responses;
- Ensures that continuous corporate social responsibility monitoring by management takes place;
- Reviews reporting concerning corporate social responsibility that is to be included in the integrated report for it being timely, comprehensive and relevant;
- Monitors the Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practise, with regard to matters relating to social and economic development, good corporate citizenship, the environment, health and public safety, including the impact of the Group's activities and of its products or services; and
- Report, through one of its members, to the shareholders at the company's annual general meeting on the matters within its mandate to the best of their knowledge.

EXECUTIVE COMMITTEE

The Executive Committee ("EXCO") supports the Chief Executive Officer in carrying out his responsibilities for the day to day management of the Group's operations and consists of three members. The following members serve on the EXCO of the Company:

- the Chief Executive Officer;
- the Chief Finance Officer; and
- the Group Head of Legal Counsel.

The EXCO is chaired by the Chief Executive Officer and has regular input from executives from the operating subsidiaries. Meetings are convened monthly.

The EXCO operates within the confines of the power delegated to it by the Board. The EXCO is responsible for the following from a Company and Group perspective:

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

SHARE DEALINGS

The Group has imposed closed periods in line with a "closed period" as defined in the Johannesburg Stock Exchange ("JSE") Listings Requirements. During these periods directors, officers and defined employees may not deal in any securities issued by the Company or any of its listed subsidiaries. Notwithstanding the closed periods directors and officers may not trade in the Group's securities during any period where they have access to unpublished price-sensitive information. To ensure effective compliance, it is a requirement that no trade in the Company's securities may take place outside of the closed periods without:

SHARE DEALINGS

- the prior written approval from the Chairman for the Chief Executive Officer, Chief Finance Officer and non-executive directors;
- the prior written approval from the Lead Independent non-executive director for the Chairman; and
- the prior written approval from the Chief Executive Officer for EXCO members.

DIRECTORS' INTERESTS IN THE COMPANY'S SHARES

The direct and indirect interests of the directors and their associates in the Company's shares as at the reporting date are set out below. Those directors who have not been included do not hold shares in the Company.

| | Direct beneficial interest | Indirect beneficial interest | Total | Percentage held (%) |
|---|----------------------------|------------------------------|--------------------|---------------------|
| As at 31 December 2019 | | | | |
| Simon F. Village | - | 989 926 | 989 926 | 0.84% |
| Richard G. Muirimi | 1 000 000 | - | 1 000 000 | 0.85% |
| George S.J Bennet | - | 200 000 | 200 000 | 0.17% |
| Audrey M. Mothupi | 25 000 | - | 25 000 | 0.02% |
| Total held by current directors | 1 025 000 | 1 189 926 | 2 214 926 | 1.88% |
| Total held by immediate past directors | | | | |
| Brett I. Childs | 542 433 | - | 542 433 | 0.46% |
| Richard N. Charrington | - | 200 000 | 200 000 | 0.17% |
| | 542 433 | 200 000 | 742 433 | 0.63% |
| Total number of shares held by the directors | 1 567 433 | 1 389 926 | 2 957 359 | 2.52% |
| Total number of shares in issue | | | 117 266 523 | |
| As at 31 December 2018 | | | | |
| Simon F. Village | - | 300 000 | 300 000 | 0.31% |
| Richard G. Muirimi | 1 000 000 | - | 1 000 000 | 1.04% |
| Brett I. Childs | 205 000 | - | 205 000 | 0.21% |
| Richard N. Charrington | - | 200 000 | 200 000 | 0.21% |
| George S.J Bennet | - | 200 000 | 200 000 | 0.21% |
| Audrey M. Mothupi | 25 000 | - | 25 000 | 0.03% |
| Total held by current directors | 1 230 000 | 700 000 | 1 930 000 | 2.01% |
| Total held by immediate past directors | - | - | - | - |
| Total number of shares held by the directors | 1 230 000 | 700 000 | 1 930 000 | 2.01% |
| Total number of shares in issue | | | 96 306 195 | |

There were no other changes in the disclosed directors' interest between the reporting date and the date on which the financial statements were approved.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INTERNAL AUDIT

The Board ensures that there is an effective risk-based internal audit function that subscribes to the Institute of Internal Auditors of Zimbabwe's standards. Internal audit is an independent function and provides the Board with assurance that an effective governance, risk management and internal control environment is maintained. The internal audit function is informed by the strategy and risks of the Group and its reports and recommendations, which provide a written assessment of the effectiveness of the Group's internal controls, are tabled at quarterly Audit and Risk Committee meetings for review. The Audit and Risk Committee is responsible for overseeing the internal audit function and ensures that it has the appropriate skills and resources.

The Internal Audit function is currently outsourced to an independent audit firm.

STAKEHOLDER COMMUNICATIONS AND RELATIONS

The Board appreciates that stakeholders' perceptions affect the Group's reputation and strives to achieve the appropriate balance between its various stakeholder groupings in the best interest of the Group. The Board has delegated the stakeholder communication and relations role to the EXCO, who in turn have been authorised to enlist the services of suitably qualified consulting firms for assistance in fulfilling that role. Structures have been introduced to manage the interface with the various stakeholder groups.

There are responsive systems of governance and practice, which the Board and Management regard as appropriate. The communication with stakeholders is considered to be transparent and effective and the Group has retained the services of public relations professionals to assist with stakeholder communication issues and investor relations.







Independent Auditor's Report to the Shareholders of Arden Capital Limited

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 financial statements do not present fairly the financial position of Arden Capital Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

Arden Capital Limited's consolidated financial statements, set out on pages 46 to 125, comprise:

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

Basis for adverse opinion

On 1 October 2018, the Reserve Bank of Zimbabwe issued a Monetary Policy Statement ("MPS") that directed a separation of Foreign Currency Bank Accounts ("FCAs") into two categories, Nostro FCAs and the Real Time Gross Settlement ("RTGS FCA"). The Nostro FCAs were to hold individual foreign currencies permissible in Zimbabwe's multi-currency economy at the time. The RTGS FCA 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 2.1.1 of the consolidated financial statements, during the year ended 31 December 2018, and for the period 1 January 2019 to 22 February 2019, the Zimbabwean based subsidiaries transacted using a combination of the Nostro FCAs and RTGS FCA, mobile money, bond notes and coins. In terms of International Accounting Standard 21 - *The effects of changes in foreign exchange rates ("IAS 21")*, these payment methods would have been separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Company's subsidiaries at appropriate exchange rates. However, in order to comply with legislation as described in note 2.1.1 to the consolidated financial statements, the RTGS transactions and balances in the consolidated financial statements for the year ended 31 December 2018, and the transactions in the current year financial statements from 1 January 2019 to 22 February 2019, are reflected at parity with the US\$. As described in Note 2.1.1, the Zimbabwean based subsidiaries changed their functional currency on 1 March 2019 to comply with legislation, which is not in compliance with IAS 21, which would have required a functional currency change on 1 October 2018.

In addition, as at 31 December 2019 the Zimbabwe subsidiaries' financial information was translated using the interbank rate which is not considered an appropriate spot rate for translation as required by IAS 21.

Had the consolidated financial statements been prepared in accordance with the requirements of IAS 21, many elements in the accompanying consolidated financial statements would have been materially restated. It was not practicable to quantify the financial effects on the consolidated financial statements.

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T I 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 Partners' names is available for inspection.



Independent Auditor's Report (continued)

Basis for adverse opinion (continued)

As described in Notes 2.2 and 4 to the consolidated financial statements, the Public Accountants and Auditors Board of Zimbabwe issued a pronouncement that required companies to apply the requirements of IAS 29 - *Financial reporting in hyperinflationary economies ("IAS 29")* in the preparation and presentation of its financial statements for financial periods ending on or after 1 July 2019. The misstatements described in the paragraph above affect the historical amounts which enter into the calculation of the inflation adjusted amounts. Had the underlying historical consolidated financial statements been prepared in accordance with the requirements of IAS 21, and then inflation adjusted in accordance with IAS 29, many elements in the accompanying consolidated financial statements would have been materially restated. It was not practicable to quantify the financial effects on the consolidated financial statements.

As disclosed in Notes 8 and 9 to the consolidated financial statements, the Company's subsidiaries based in Zimbabwe performed fair valuations of investment property and property and equipment as at 31 December 2019. Valuations rely on historical market evidence for calculation inputs. Due to monetary policy changes, specifically Statutory Instrument 142 of 2019 which introduced the Zimbabwe dollar ("ZWL") as the sole legal tender effective 24 June 2019, market evidence for inputs including transaction prices for comparable properties, rents, costs of construction and capitalisation rates did not exist as at 31 December 2019 to calculate ZWL values for these inputs. In order to determine the ZWL values of the investment property and property and equipment as at 31 December 2019, US\$ inputs were used and then translated into ZWL using the closing interbank exchange rate. The application of a conversion rate to the US\$ valuation inputs to calculate the ZWL investment property and property and equipment values is not an accurate reflection of market dynamics as the risks associated with currency trading do not reflect the risks associated with property trading. It was not practicable to quantify the financial effects of this matter on the consolidated 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 financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Independence

We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of matter – Subsequent event

We draw attention to note 34 to the consolidated financial statements, which describes the possible operational impacts of COVID-19 on the Group. Our opinion is not further modified in respect of this matter

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for adverse opinion* section we have determined the matter described below to be the key audit matters to be communicated in our report.

Independent Auditor's Report (continued)

Key audit matter (continued)

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>Allowance for expected credit losses on trade receivables</p> <p>The allowance for expected credit losses ("ECL") on trade receivables was considered to be a matter of most significance to our audit due to the magnitude of the trade receivables balance on which the ECL has been recognised and the judgement applied in the determination of the ECL.</p> <p>As at 31 December 2019, the Group recognised net trade receivables of US\$2,880,716, which included an allowance for expected credit losses of US\$1,011,145.</p> <p>The Group applied the simplified approach to measure ECL on trade receivables which uses a lifetime ECL for all trade receivables.</p> <p>The key estimates applied in determining ECL are disclosed in note 6.1(c) to the consolidated financial statements.</p> <p>In measuring the ECL, management grouped trade receivables based on shared credit risk characteristics and days past due and the historical credit loss rates were adjusted to reflect current and forward-looking information.</p> <p>Refer to the following notes to the consolidated financial statements for detail:</p> <ul style="list-style-type: none"> • Note 2.11.5 - Impairment of financial assets; • Note 5.1(ii) - Financial risk management, credit risk; • Note 6.1 (c) - Key estimates: Impairment; and • Note 17- Trade and other receivables. | <p>We obtained an understanding of the Group's business processes in order to evaluate the appropriateness of management's assessment of the business model used to classify the Group's trade receivables into the IFRS 9 financial instruments categories.</p> <p>We considered the appropriateness of accounting policies and evaluated the impairment methodologies applied by management against the specified requirements of IFRS 9 on impairment methodologies.</p> <p>We obtained an understanding of the relevant controls relating to impairment of trade receivables and considered the following in testing the key controls:</p> <ul style="list-style-type: none"> • the processes over credit approval for trade receivables; • the monitoring process of the trade receivables, including the monthly debtors assessment meetings; and • the approval framework for write-offs. <p>We obtained an understanding of the payment terms offered by the Group through inquiry with management and inspection of the agreed contractual terms offered to a sample of customers and noted that the credit terms were short term.</p> <p>We evaluated the allowance for expected credit losses by performing the following:</p> <ul style="list-style-type: none"> • We performed a report validation test to assess whether the system was calculating the number of days in arrears correctly, as this is the key driver in identifying the grouping of receivables; • We assessed the reasonableness of the grouping of trade receivables based on our understanding of the Group's business in relation to trade receivables and the drivers of credit risk; • We evaluated the reasonableness of historical balances and credit loss rates used by management in their calculation by agreeing the total historical balances to prior year working papers on a total basis for each of the trade receivable groupings; • We evaluated the appropriateness of adjustments for forward looking information by assessing the applied economic scenarios against the publicly available economic forecasts on Zimbabwe; and • We recomputed the expected credit losses to test the mathematical accuracy of management's expected credit loss calculation. |



Independent Auditor's Report (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "*Arden Capital Limited Annual Report 2019*". The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated 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 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. We have concluded that the other information is materially misstated for the same reasons as that set out in the Basis for adverse opinion section above.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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 financial statements, the directors are responsible for assessing the Group'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 or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 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 to cease to continue as a going concern.



Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

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 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.

A handwritten signature in black ink, appearing to read 'Clive K Mukondiwa', written in a cursive style.

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

29 May 2020

Harare, Zimbabwe

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

| | Notes | 2019 US\$ | 2018 US\$ |
|--|-------|--------------------|--------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 8 | 94 803 254 | 88 954 165 |
| Right-of-use assets | 3.1.2 | 12 978 504 | - |
| Investment property | 9 | 22 705 710 | 23 551 754 |
| Intangible assets | 10 | 4 241 093 | 8 261 050 |
| Deferred tax assets | 15 | 790 255 | 1 801 099 |
| Other non-current assets | 17.1 | 1 503 317 | 2 913 769 |
| Total non current assets | | 137 022 133 | 125 481 837 |
| Current assets | | | |
| Inventories | 16 | 4 157 860 | 5 362 465 |
| Trade and other receivables | 17.1 | 6 997 023 | 8 017 065 |
| Cash and cash equivalents | 18 | 12 481 738 | 16 362 679 |
| Total current assets | | 23 636 621 | 29 742 209 |
| Total assets | | 160 658 754 | 155 224 046 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the parent | | | |
| Stated capital | 22.1 | 73 163 254 | 63 088 923 |
| Revaluation reserve | | 28 783 794 | - |
| Non-distributable reserve | | (755 697) | (643 428) |
| Foreign currency translation reserve | | (44 293 008) | (322 302) |
| Retained profits | | 14 033 141 | 944 462 |
| Equity attributable to shareholders of parent | | 70 931 484 | 63 067 655 |
| Non-controlling interests | 24 | 46 237 637 | 38 677 028 |
| Total equity | | 117 169 121 | 101 744 683 |
| LIABILITIES | | | |
| Non current liabilities | | | |
| Borrowings | 19 | 139 603 | 4 174 081 |
| Deferred tax liabilities | 15 | 27 174 350 | 9 737 274 |
| Deferred lease income | | 16 160 | 296 406 |
| Lease liabilities | 3.1.2 | 2 112 203 | - |
| Total non current liabilities | | 29 442 316 | 14 207 761 |
| Current liabilities | | | |
| Borrowings | 19 | 316 081 | 12 892 525 |
| Trade and other payables | 20 | 11 664 482 | 20 258 875 |
| Provisions | 21 | 1 216 919 | 5 518 631 |
| Deferred lease income | | 1 949 | 30 868 |
| Lease liabilities | 3.1.2 | 43 954 | - |
| Current income tax payable | 30.2 | 803 932 | 570 703 |
| Total current liabilities | | 14 047 317 | 39 271 602 |
| Total liabilities | | 43 489 633 | 53 479 363 |
| Total equity and liabilities | | 160 658 754 | 155 224 046 |

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019



| | Notes | 2019 US\$ | 2018 US\$ |
|--|-------|---------------------|--------------------|
| Revenue | 7 | 58 060 134 | 79 296 722 |
| Cost of sales and other direct costs | 7 | (12 340 069) | (25 599 671) |
| Gross profit | | 45 720 065 | 53 697 051 |
| Fair value gain on financial assets at fair value through profit or loss | 14 | - | 979 561 |
| Operating expenses | 26 | (31 240 405) | (47 526 090) |
| Net impairment losses on financial assets | 17.2 | 145 968 | (372 604) |
| Reversal of impairment losses on financial assets | | - | 129 988 |
| Other gains | 27 | 13 256 442 | 6 276 784 |
| Sundry income | 28 | 6 377 320 | 4 642 212 |
| Operating profit before finance cost | | 34 259 390 | 17 826 902 |
| Finance income | 29.1 | 84 129 | 114 503 |
| Finance costs | 29.2 | (2 855 789) | (3 272 000) |
| Net finance costs | | (2 771 660) | (3 157 497) |
| Share of profit of associates | 12.1 | - | 512 289 |
| Profit before income tax | | 31 487 730 | 15 181 694 |
| Income tax expense | 30.1 | (10 275 318) | (4 767 245) |
| Profit for the year | | 21 212 412 | 10 414 449 |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange losses on translation of foreign operations | | (59 166 791) | (86 031) |
| Revaluation of property and equipment, net of deferred tax | | 44 099 205 | - |
| Total other comprehensive loss for the year | | (15 067 586) | (86 031) |
| Total comprehensive income for the year | | 6 144 826 | 10 328 418 |
| Profit attributable to: | | | |
| Owners of the parent | | 13 088 679 | 4 951 126 |
| Non-controlling interests | | 8 123 733 | 5 463 323 |
| | | 21 212 412 | 10 414 449 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | (2 210 502) | 4 901 537 |
| Non-controlling interests | | 8 355 328 | 5 426 881 |
| | | 6 144 826 | 10 328 418 |
| Earnings per share attributable to: | | | |
| Owners of the parent for the year: cents | | | |
| Basic earnings per share | 23.1 | 12.86 | 6.18 |
| Diluted earnings per share | 23.1 | 12.86 | 6.18 |

The consolidated 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 2019

| ATTRIBUTABLE TO OWNERS OF ARDEN CAPITAL LIMITED | | | | | | | | | |
|---|-------|------------------------|-----------------------------|-----------------------------------|-----------------------------|---|---------------|-----------------------------------|----------------------|
| | Notes | Stated capital US\$ | Revaluation reserve US\$ | Non-distributable reserve US\$ | Translation reserve US\$ | Retained profits/accumulated losses US\$ | Total US\$ | Non-controlling interests US\$ | Total equity US\$ |
| YEAR ENDED 31 DECEMBER 2018 | | | | | | | | | |
| Balance as at 1 January 2018 (as previously stated) | | 55 785 508 | - | (643 428) | (272 713) | (3 394 300) | 51 475 067 | 34 151 255 | 85 626 322 |
| Restatement as a result of adoption of IFRS 9 | | - | - | - | - | (477 364) | (477 364) | (342 582) | (819 946) |
| Total comprehensive income for the year | | 55 785 508 | - | (643 428) | (272 713) | (3 871 664) | 50 997 703 | 33 808 673 | 84 806 376 |
| Profit for the year | | - | - | - | - | 4 951 126 | 4 951 126 | 5 463 323 | 10 414 449 |
| Foreign exchange differences on translation of foreign operations | | - | - | - | (49 589) | - | (49 589) | (36 442) | (86 031) |
| Total comprehensive income for the year | | - | - | - | (49 589) | 4 951 126 | 4 901 537 | 5 426 881 | 10 328 418 |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| Issue of shares | 22.1 | 4 553 415 | - | - | - | - | 4 553 415 | - | 4 553 415 |
| Derecognition of treasury shares | 22.4 | 2 750 000 | - | - | - | (135 000) | 2 615 000 | - | 2 615 000 |
| Dividends declared and paid to non-controlling interests | | - | - | - | - | - | - | (558 526) | (558 526) |
| | | 7 303 415 | - | - | - | (135 000) | 7 168 415 | (558 526) | 6 609 889 |
| Balance as at 31 December 2018 | | 63 088 923 | - | (643 428) | (322 302) | 944 462 | 63 067 655 | 38 677 028 | 101 744 683 |
| YEAR ENDED 31 DECEMBER 2019 | | | | | | | | | |
| Balance as at 1 January 2019 | | 63 088 923 | - | (643 428) | (322 302) | 944 462 | 63 067 655 | 38 677 028 | 101 744 683 |
| Total comprehensive income: | | - | - | - | - | 13 088 679 | 13 088 679 | 8 123 733 | 21 212 412 |
| Profit for the year | | - | - | - | - | 13 088 679 | 13 088 679 | 8 123 733 | 21 212 412 |
| Other comprehensive income for the year | | - | 28 783 794 | - | - | - | 28 783 794 | 15 315 411 | 44 099 205 |
| Revaluation gain from property and equipment | | - | 28 783 794 | - | - | - | 28 783 794 | 15 315 411 | 44 099 205 |
| Foreign exchange differences on translation of foreign operations | | - | - | (112 269) | (43 970 706) | - | (44 082 975) | (15 083 816) | (59 166 791) |
| Total comprehensive income/(loss) for the year | | - | 28 783 794 | (112 269) | (43 970 706) | 13 088 679 | (2 210 502) | 8 355 328 | 6 144 826 |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| Issue of shares | 22.1 | 10 074 331 | - | - | - | - | 10 074 331 | - | 10 074 331 |
| Dividends declared and paid to non-controlling interests | | - | - | - | - | - | - | (794 719) | (794 719) |
| | | 10 074 331 | - | - | - | - | 10 074 331 | (794 719) | 9 279 612 |
| Balance as at 31 December 2019 | | 73 163 254 | 28 783 794 | (755 697) | (44 293 008) | 14 033 141 | 70 931 484 | 46 237 637 | 117 169 121 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

| | Notes | 2019 US\$ | 2018 US\$ |
|---|-----------|--------------------|---------------------|
| Profit before income tax | | 31 487 730 | 15 181 694 |
| Adjustments for non-cash items: | | | |
| Depreciation - property and equipment | 8 | 4 719 658 | 4 241 909 |
| Depreciation - right of use assets | 26 | 231 909 | - |
| Amortisation of intangible assets | 10 | - | 22 097 |
| Equipment written off | 26 | 567 833 | - |
| Share of profit of associates | 12 | - | (512 289) |
| Profit from disposal of associate | 27 | - | (3 005 626) |
| Fair value gains on financial assets at fair value through profit or loss | 14 | - | (979 561) |
| Fair value gain on remeasurement of investment in associates on transfer to financial assets at fair value through profit or loss | 27 | - | (4 082 299) |
| Increase in provisions | 21 | 995 662 | 4 153 858 |
| Impairment allowance on trade and other receivables | 17.2 | (145 968) | 372 604 |
| Trade and other receivables written off | 26 | - | 396 066 |
| Loss from disposal of subsidiary | 27 | - | 947 341 |
| Fair value gains on investment property | 27 | (13 256 442) | (949 580) |
| Loss from disposal of financial assets at fair value through profit or loss | 27 | - | 813 380 |
| Net non-monetary gains | 28 | (7 389 965) | - |
| Foreign exchange losses | 28 | 2 033 543 | - |
| Loss/(profit) from disposal of property and equipment | 28 | 21 119 | (890 860) |
| Loss arising from settlement of a financial liability through equity instruments | 29.2 | 1 132 523 | - |
| Interest income | 29.1 | (84 129) | (114 503) |
| Interest expense on borrowings | 29.2 | 1 208 824 | 3 272 000 |
| Interest expense on lease liabilities | 29.2 | 514 442 | - |
| | | 22 036 739 | 18 866 231 |
| Working capital changes | | | |
| Changes in inventory | | 3 492 890 | 1 789 237 |
| Changes in trade and other payables | | (14 265 986) | 1 509 584 |
| Changes in trade and other receivables | | 1 166 010 | (2 213 016) |
| Cash generated from operations | | 12 429 653 | 19 952 036 |
| Dividends received | 12.1 | - | 149 836 |
| Income tax paid | 30.2 | (3 050 317) | (4 439 338) |
| Interest received | | 29 220 | 114 503 |
| Interest paid on borrowings | 19 | (683 654) | (2 708 238) |
| Interest paid on lease liabilities | 3.1.3 | (514 442) | - |
| Dividends declared and paid to non-controlling interests | | (794 719) | (558 526) |
| Cash generated from operating activities | | 7 415 741 | 12 510 273 |
| Cash flows from investing activities | | | |
| Proceeds from disposal of financial assets at fair value through profit or loss | | - | 2 616 551 |
| Proceeds from disposal of property and equipment | | 174 908 | 2 260 240 |
| Purchase of equipment | 8 | (5 497 309) | (6 254 407) |
| Capital expenditure on investment property | 9 | - | (45 942) |
| Acquisition of investment property | 9 | (153 882) | (887 232) |
| Proceeds from disposal of investment property | | - | 200 000 |
| Proceeds from disposal of subsidiary | 11.2.1 | - | 1 883 847 |
| Cash and cash equivalents transferred on disposal of subsidiary | 11.2.2 | - | (482 511) |
| Proceeds from disposal of treasury shares | 22.4 | - | 1 006 557 |
| Net cash (used in)/generated from investing activities | | (5 476 283) | 297 103 |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 19 | 1 789 879 | 208 416 |
| Repayment of borrowings | 19 | (6 231 057) | (11 716 705) |
| Repayment of lease liabilities | | (445 255) | - |
| Proceeds from issue of ordinary shares | 22.1 | 4 017 959 | 4 553 415 |
| Net cash used in financing activities | | (868 474) | (6 954 874) |
| Net increase in cash and cash equivalents | | 1 070 984 | 5 852 502 |
| Exchange losses on cash and cash equivalents | | (4 951 925) | (34 142) |
| Cash and cash equivalents at beginning of year | | 16 362 679 | 10 544 319 |
| Cash and cash equivalents at end of year | 18 | 12 481 738 | 16 362 679 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 GENERAL INFORMATION

Arden Capital Limited (formerly Brainworks Limited), (“the Company”) and its subsidiaries (together “the Group”) has a diversified portfolio of business interests in Hospitality, Real Estate and Energy Logistics sectors in Zimbabwe.

Arden Capital Limited is a public company which is incorporated and domiciled in the Republic of Mauritius.

The Company is the holder of a Category 1 Global Licence under the Mauritius Companies Act 2001 and the Financial Services Act 2007 and is listed on the Johannesburg Stock Exchange (“JSE”).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) except for the non-compliance with International Accounting Standard (“IAS”) 21 described in note 5.2 and the consequent out come of the application of IAS 29 by the Zimbabwe based subsidiaries of the Group and interpretations issued by the IFRS Interpretations Committee (the “IFRS IC”) as issued by the International Accounting Standards Board (the “IASB”), the SAICA Financial Reporting Guides as issued by the Accounting Standards Practices Committee, the Financial Reporting Pronouncements as issued by Financial Reporting Standards Council (the “FRSC”).

The financial statements have been prepared under historical cost convention as modified by the revaluation of property and equipment, and 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 whose assumptions and estimates are significant to the financial statements are disclosed in note 6.

2.1.1 Change in functional currency of subsidiaries

All the Company’s subsidiaries operate in Zimbabwe, therefore, were affected by the financial reporting developments in the country that resulted in the implementation of IAS 29 - *Financial Reporting in Hyperinflationary Economies* (“IAS 29”) by the subsidiaries during the year ended 31 December 2019.

On 20 February 2019, the Reserve Bank of Zimbabwe (the “RBZ”) announced the official designation of the existing Real Time Gross Settlement (“RTGS”) balances, bond notes and coins in circulation then as RTGS\$, in order to establish an exchange rate between the RTGS\$ and foreign currencies. The RTGS\$ thus became part of the multi-currency system in Zimbabwe.

On 24 June 2019, the Ministry of Finance and Economic Development in Zimbabwe through a legal instrument (Statutory Instrument (“SI”) 142 of 2019), announced the immediate end of the multi-currency regime; thereby, proclaiming the ZW\$ (previously designated as the RTGS\$) as the sole legal tender for the settlement of all domestic transactions. Prior to the announcements above the functional currency of the subsidiaries in Zimbabwe was the United States of America dollar (“US\$”).

As a result of the pronouncements above and consideration of other economic variables, the subsidiaries concluded that the change in functional currency, notwithstanding the legal pronouncements on the 24th of June 2019, had in substance occurred in February 2019. The subsidiaries then adopted the ZW\$ as their functional and presentation currency with effect from February 2019 month-end. Financial statements for the year ended 31 December 2019 for these subsidiaries have been prepared and presented in ZW\$ for the first time since 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Change in functional currency of subsidiaries (continued)

After changes in the functional currency of the Group's Zimbabwe based subsidiaries, the directors reassessed the functional currency of Arden Capital Limited and considered the primary and secondary indicators of the Company. They concluded that Arden Capital Limited's functional currency, determined by the currency of its own revenues, its own expenses and its own financing is still the US\$. Given the fact that the subsidiaries are operating in a hyperinflationary economy, their results have been translated to the US\$ equivalent on the basis of principles outlined in IAS 29 and IAS 21.

2.1.2 Going concern

The Group recorded a decline of 11 percentage points in hotel occupancy to 48% from the 59% recorded in 2018. Whilst recovery was anticipated in 2020, those positive prospects have been adversely impacted by the global outbreak of COVID-19 which has brought global travel and tourism to a standstill.

The Group has been restructuring its statement of financial position, with particular focus on debt reduction and improving liquidity. This has resulted in the reduction of debt, which at its peak as at 31 December 2017 amounted to US\$38.3 million, to US\$0.46 million as at 31 December 2019, and a significantly improving in working capital position from a negative position of US\$19.3 million as at 31 December 2017 to a positive position of US\$9.6 million as at 31 December 2019.

Following the Government of Zimbabwe's proclamation of a 21 days lockdown period effective 30 March 2020 in order to contain further spread of the COVID-19 pandemic, the Group consequently shut down all its 11 hotels in response to this directive. It remains uncertain as to how long this shutdown period would be sustained and how soon businesses would be permitted resume operations. The business interruption is expected to be significant and recovery of the tourism and hospitality sector in Zimbabwe, and indeed worldwide, is projected to take considerable amount of time in the aftermath of the pandemic being contained.

The Group is diligently assessing the effects of the pandemic on the business. Statistics as at 6 May 2020 reflect that the Group had 30 736 room nights cancelled and/or deferred. At this point the full extent of the potential impact of COVID-19 on the business remains uncertain. However it is encouraging to note that some nations have started to register promising decreases in new COVID-19 cases, and lockdown is beginning to be lifted. In Zimbabwe, formal businesses have been permitted to resume operations in all sectors other than social sectors such as education and churches.

The Zimbabwe government recently announced a ZWL 18 billion (US\$720 million based on the official exchange rate) economic relief package to financially assist companies in the various economic sectors. The allocation for the hospitality industry was set at ZWL 500 million (US\$20 million based on the official exchange rate). However, modalities for access to the same have not yet been clarified. Even as businesses resume operations, the Group will continue to face significant pressure arising from certain fixed costs in the face of subdued revenue generation. To mitigate the adverse impact on going concern, the Group has embarked on an immediate fixed costs rationalisation programme, targeting mainly staff costs which are the single most significant fixed cost over the period, and deferring all capital expenditure programs across all segments. In addition, the Group has commenced discussions with landlords from whom certain hotels properties are leased on a minimum fixed monthly rental structure for a rent holiday, and these discussions are going well.

The cash resources that are available in the Group (which are held mainly in foreign currency), in the absence of significant external commitments such as debt obligations as in the prior year, are expected to be reasonably sufficient for the Group to be able to withstand the adverse impact arising from the current business interruption.

The directors are optimistic that the Group would resume operations without significant financial challenges. On the basis of this view, the directors are of the view that the underlying subsidiaries' and ultimately the Group's going concern is not doubtful.

Refer to note 34 for further details regarding the impact of COVID - 19 on the Group's businesses and other mitigatory measures that would be implemented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations, effective 1 January 2019 and are relevant to the Group

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2019 and are relevant to the Group:

| Standard/interpretation | Content | Applicable for financial years beginning on/after |
|---------------------------------|--|---|
| IFRS 16 (new) | Leases | 1 January 2019 |
| IFRS 3 (amendment) | Business combinations | 1 January 2019 |
| IFRS 11 (amendment) | Joint arrangements | 1 January 2019 |
| IAS 28 (amendment) | Investment in associates and joint ventures | 1 January 2019 |
| IAS 12 (improvement) | Income taxes | 1 January 2019 |
| IAS 23 (improvement) | Borrowings | 1 January 2019 |
| IAS 28 (improvement) | Investments in associates and joint ventures | 1 January 2019 |
| IFRS 10 and IAS 28 (amendments) | Consolidated financial statements and investments in associates and joint ventures | 1 January 2019 |
| IFRIC 23 | Uncertainty over income tax treatments | 1 January 2019 |

IFRS 16

IFRS 16, 'Leases', effective 1 January 2019 - IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 is a far reaching change in accounting by lessees in particular.

Under IAS 17, 'Leases', lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). 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.

For lessors, the accounting stays 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.

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'. A company can choose to apply IFRS 16 before the effective date but only if it also applies IFRS 15, 'Revenue from contracts with customers'.

IFRS 16 has an impact on the Group by virtue of operating lease contracts the Group holds with third parties. The Group has reviewed all its leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

Refer to note 3.1 for disclosures on the impact of IFRS 16 adoption on the Group's financial statements.

IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income and it excludes returns in the form of lower costs and other economic benefits. The amendment will likely result in more acquisitions being accounted for as asset acquisitions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

(a) New standards, amendments and interpretations, effective 1 January 2019 and are relevant to the Group (continued)

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2019 and are relevant to the Group (continued):

IFRS 11

The amendment clarifies that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

IAS 28

The amendments clarifies the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 Financial instruments before applying the loss allocation and impairment requirements in IAS 28 Investments in associates and joint ventures.

IAS 12

The amendment clarifies that that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

IAS 23

The amendment clarifies that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

IFRS 10 and IAS 28

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

The new standards, amendments and interpretations do not have a material impact on the financial statements of the Group.

IFRIC 23

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations, effective 1 January 2019 and are not relevant to the Group

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2019 and are not relevant to the Group:

Amendment to IAS 19 - Plan amendment, curtailment or settlement

The amendments to IAS 19 Employee benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change;
- recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling; and
- separately recognise any changes in the asset ceiling through other comprehensive income.

(c) New standards, amendments and interpretations issued but not effective for the financial period beginning on 1 January 2019 are relevant to the Group but have not been early adopted

The following new standards, amendments and interpretations have been issued but are not effective for the accounting period beginning on 1 January 2019 are relevant but have not been early adopted by the Group:

Amendment to IAS 1 and IAS 8 - Definition of materiality

The IASB has made amendments to IAS 1 - *Presentation of financial statements* and IAS 8 - *Accounting policies, changes in accounting estimates and errors* which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendment is effective for accounting periods beginning on or after 1 January 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

(c) New standards, amendments and interpretations issued but not effective for the financial period beginning on 1 January 2019 are relevant to the Group but have not been early adopted (continued)

Amendment to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture

The IASB has made limited scope amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures*.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 *Business Combinations*).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

2.2 Foreign currency translation

(a) Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(c) Group companies

All the subsidiaries have the Zimbabwe dollar ("ZWL") as a functional currency. As outlined in note 3.3, the ZWL was a currency of a hyperinflationary economy as at the reporting date, in accordance with IAS 29. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the reporting date, and that the corresponding figures for prior periods be stated in terms of measuring unit current at the end of reporting date.

The results and financial position of all the subsidiaries with a currency of a hyper-inflationary economic are translated into the functional and presentation currency as follows:

- (i) The financial statements are firstly stated in terms of a measuring unit current at the reporting date, and the corresponding figures for prior periods are stated in terms of measuring unit current at the end of reporting date, on the basis of indices derived from the general consumer price index ("CPI") prepared by the Zimbabwe National Statistics Agency ("ZIMSTAT").

Refer to note 4 for the adjustment factors adopted for the purposes of preparing the financial statements. Note 4 provides further detail on application of IAS 29 principle in the preparation of subsidiaries' financial statements.

- (ii) The ZWL based financial statements prepared in accordance with the principles outlined above are subsequently translated at the spot rate between the ZWL and the US\$ as at the reporting date for the purposes of deriving the US\$ equivalent of each of the components of those financial statements.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised through other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

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

2.3 Principles of consolidation and equity accounting

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (continued)

(a) Subsidiaries (continued)

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 carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in 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 IFRS 9, either in profit or loss or other comprehensive income. Contingent consideration that is classified as equity is not re-measured, 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.

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

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

The Group comprises the holding company, Arden Capital Limited (formerly Brainworks Limited) incorporated and domiciled in Mauritius, one wholly owned subsidiary, Arden Capital (Private) Limited (formerly Brainworks Capital Management (Private) Limited) ("ACPL"). ACPL is an investment holding company with the following investments:

- African Sun Limited, 57.67% shareholding (31 December 2018: 57.67%) and is listed on the Zimbabwe Stock Exchange ("ZSE");
- Dawn Properties Limited, 66.81% shareholding (31 December 2018: 66.81%) and is listed on the ZSE;
- Brainworks Petroleum (Private) Limited ("Brainworks Petroleum"), 100% shareholding (31 December 2018: 100%). Brainworks Petroleum in turn holds 100% of the shareholding in FML Logistics (Private) Limited ("FML Logistics") (31 December 2018: 100%);
- Lengrah Investments (Private) Limited, 100% shareholding (31 December 2018: 100%); and
- Brainworks Hotels and Real Estate (Private) Limited, 100% shareholding (31 December 2018: 100%).

All subsidiaries have 31 December year ends and are consolidated in the presented consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (continued)

(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 profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

As at 31 December 2019, the Group held an associate investment, this being 49% shareholding in Coporeti Support Services (Private) Limited t/a GetCash, (31 December 2018: 49% shareholding). The total cost of the investment, which was fully impaired in 2017, was US\$2 534 952.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(e) Joint arrangements

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

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

The investment in Victoria Falls Hotel Partnership, is categorised as a joint operation. The Group recognises its direct right to the assets, liabilities, revenues and expenses of the joint operation and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the “Executive Committee” which is made up of the Chief Executive Officer, the Chief Finance Officer and the Head of Legal.

2.5 Property and equipment

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

Subsequently, all property and equipment is stated at revalued amount less subsequent accumulated depreciation and accumulated allowance for impairment losses, excluding capital work in progress. The revalued amount is based on valuations which are performed by Dawn Property Consultancy (Private) Limited; which is a subsidiary of the Company. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Increases in the carrying amount arising on the revaluation of property and equipment is credited to a revaluation reserve in shareholder’s equity. Decreases that offset previous increases of the same asset are charged against its revaluation reserve directly in equity; all other decreases are charged to the other comprehensive income. Increase in revaluation shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

The accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the assets so that the carrying amount of the assets after revaluation equals the revaluation amount.

The revaluation surplus included in equity in respect of an item of property and equipment is transferred directly to retained earnings when the asset is derecognised. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

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

Land is not depreciated.

Depreciation is recognised so as to write off the cost of assets (other than land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives are as below:

| | |
|-------------------------------|---------------|
| Leasehold improvements | 5 to 25 years |
| Motor vehicles | 5 years |
| Computer equipment | 5 years |
| Office equipment | 5 years |
| Furniture and fittings | 5 years |
| Hotel equipment | 7 years |
| Heavy motor vehicles | 10 years |
| Farm equipment and implements | 10 years |
| Building | 50 years |
| Freehold properties | 50 years |
| Hotel properties | 60 years |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property and equipment (continued)

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

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

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

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

2.6 Intangible assets

2.6.1 Software

Costs associated with maintaining accounting and hotel reservations software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- a) it is technically feasible to complete the software so that it will be available for use;
- b) management intends to complete the software and use or sell it;
- c) there is an ability to use or sell the software;
- d) it can be demonstrated how the software will generate probable future economic benefits;
- e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- f) the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research and development - research expenditure and development expenditure that does not meet the criteria set above is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation methods and periods - intangible assets within the Group are amortised over 2 - 4 years on a straight line basis.

2.6.2 Goodwill

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 recognised as goodwill. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses from the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to the cash generating units or groups of cash generating units that are expected to benefit from the business combination in which goodwill arose. The cash generating units or groups are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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 includes hotel properties, residential properties, time shares and office properties. Investment property is measured initially at cost, including related transaction costs and where applicable borrowing costs.

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. Fair value is based on prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

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 they 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 lives).

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 profit and loss. 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 to property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment property (continued)

If an item of owner-occupied property becomes 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.

2.8 Classification of property

Owner occupied property comprise property which is owned by the Group but is significantly occupied by any of the group companies, regardless of the leasing of the property being at market related rentals and terms. Significant occupation by the Company and group companies is considered as 10% (2018: 10%) of the total lettable space or above. Such owner occupied properties are classified under property and equipment and depreciated in line with the Group accounting policies.

2.9 Impairment of assets

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

2.10 Trade receivables

Trade receivables are amounts due from customers for goods sold or services rendered 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 method, less allowance for expected credit losses. The effective interest method is the method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

The Group recognises allowance for expected credit losses on trade receivables. Refer to note 2.11.5 for further detail on how the allowance for expected credit losses is determined and measured.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories, based on the Group's business model for managing the financial assets and the contractual terms of the cash flows:

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

Financial assets at amortised cost include trade receivables, staff loans, receivables from related parties and other receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets at amortised cost (continued)

2.11.1 Classification (continued)

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

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

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

All financial assets that were held by the Group as at the reporting date were classified as those to be measured at amortised cost as they were held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

2.11.2 Measurement

At initial recognition, the Group measures a financial asset classified at amortised cost at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Interest income from these financial assets is included in finance income using the effective interest 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. Allowance for expected credit losses are presented as separate line item in the statement of profit and loss

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

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

2.11.3 Recognition and derecognition

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

2.11.4 Off-setting 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. There were no financial instruments that were offset during the year (2018:US\$nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets at amortised cost (continued)

2.11.5 Impairment of financial assets

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

The Group assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortised cost. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. A default on a financial asset is when the counterparty fails to make contractual payments within 120 days of when they fall due.

The Group applies the simplified approach on financial assets that do not contain a significant financing component, where as the general approach is applied on financial assets that contain a significant financing component.

Financial assets are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the debtor or borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. Write offs are effected after a period of 1 year after the debtor falls into default.

2.12 Inventories

Inventories consist of the following:

- foodstuffs, beverages, shop merchandise, maintenance and consumables stocks are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale;
- construction inventories, stationery and other office consumables are stated at cost, using the first-in, first out ("FIFO") method, and property under development is stated at actual cost;
- residential property units that are developed with a view to sell as inventory. Residential properties are stated at lower of cost and net realisable value.

2.13 Cash and cash equivalents

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

2.14 Share capital

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

Where any group company purchases the Company's 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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Trade payables

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

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

2.16 Borrowings

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

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

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

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

2.17 Income tax

The income tax expense for the year 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 also recognised in other comprehensive income or directly in equity, respectively. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group establishes liabilities where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Income tax (continued)

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

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

2.18 Provisions

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

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

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

2.19 Employee benefits

(a) Pension obligations

The Group has a defined contribution pension 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 employees the benefits relating to employee service in the current year and prior years.

The Group pays contributions to a publicly administered pension plan on a mandatory basis. The publicly administered pension benefits scheme is administered by the National Social Security Authority ("NSSA") which is a national scheme that was introduced through the NSSA Act (Chapter 17:04). The Group has no further payment obligations once the contributions have been paid.

All pension contributions are recognised as an employee benefit expense when they are due. Pre-paid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at either of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that are 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(c) Bonus plans

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

2.20 Revenue recognition

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

2.20.1 Revenue recognised in accordance with IFRS 15, Revenue from contracts with customers

(a) Revenue from sale of room nights

This revenue is recognised every night when the Group has satisfied the performance obligations. This entails provision of the specified room to the customers at which point we would have satisfied the obligation to the customers. The transaction price is specified to the customer when a reservation is made. Customers generally pay upfront for the room with the exception of customers on approved credit terms.

(b) Revenue from sale of food and beverages

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

(c) Revenue from conferencing

Revenue from provision of conferencing facilities is recognised when the Group provides the conferencing rooms and related conferencing facilities in accordance with the customers' booking. The conference package may contain food and beverage sales; revenues arising there from would be allocated to revenue from sale of food and beverages.

(d) Revenue from valuation and consultancy services

Property advisory services revenue mainly derives from the provision of property management services and property valuations services. Revenue from provision of property management services contract is recognised when the Group has actually collected lease payment on behalf of the landlords as this revenue is directly linked to lease payments collections. Revenue from the provision of property valuation services is recognized when the Group has actually offered the valuation services and the valuation report has been delivered and accepted by the customer.

(e) Revenue from distribution and logistics

Revenue from fuel transportation services is recognised when the fuel has been delivered to the destination specified by the customer.

(f) Revenue from the sale of timeshares

Although the consideration is received upfront, revenue from the sale of timeshare contracts is recognised over the contract period on a straight line basis. The contracts period vary between 10 to 25 years.

(g) Other income

This comprises a number of ancillary services and activities that are performed at the various hotels. The nature of the income is such that the performance obligations, though different, are satisfied at a point in time. The activities comprise inter alia, guest laundry services, horse riding and game drives. The transaction price in each of the activities is specified on the price list accessible to the customer before they utilize the given service. Revenue is provided when the service has been offered to the customer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (continued)

2.20.2 Revenue recognised in accordance with IFRS 16, Leases

(a) Revenue from rentals

Rental income from operating leases is recognised as income in the accounting period in which the property is occupied by the tenant on a straight-line basis over the lease term.

2.20.3 Revenue recognised in accordance with IFRS 9, Financial Instruments

(a) Interest income

Interest income on financial assets at amortised cost is recognised using the effective interest method. When a financial asset at amortised cost is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial assets at amortised cost is recognised using the original effective interest method.

Interest income on bank deposits is recognised using the effective interest method when it is due and payable to the Group.

(b) Revenue from gaming

Gaming income comprises the net table and slot machine win derived by casino operations from gambling patrons. In terms of accounting standards, betting transactions concluded under gaming operations meet the definition of derivatives and therefore income from gaming operations represents the net position arising from financial instruments. The net gaming win is measured as the net cash received from betting transactions from casino operations. Due to the short-term nature of the Group's casino operations, all income is recognised in profit or loss immediately, at fair value.

2.21 Cost of sales

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

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

2.22 Leases

The Group adopted IFRS 16, Leases from 1 January 2019 which resulted in changes in accounting policies. The new accounting policy and the impact of the change is described in note 3.1.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (continued)

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included amount of the underlying asset and on the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.23 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.

3 CHANGES IN ACCOUNTING POLICIES

3.1 Impact of adoption of IFRS 16

3.1.1 Changes in accounting policy

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

Under IAS 17, 'Leases', lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). 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.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

3.1.2 Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, Leases and recognised right-of use assets equal to the lease liabilities, adjusted by the amount of prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10.5%.

The lease liabilities recognised as at 1 January 2019 were determined as follows:

| | 2019 US\$ |
|--|----------------------|
| Operating lease commitments as at 31 December 2018 | 8 258 152 |
| Discounted using the lessee's incremental borrowing rate of at the date of 10.5% initial application | 4 481 323 |
| Adjustments as a result of different treatment of extension and termination options | 2 314 138 |
| Lease liability recognised as at 1 January 2019 | 6 795 461 |
| Lease liabilities recognised in the statement of financial position as at 31 December 2019 | |
| Analysed as follows | |
| Current liabilities | 43 954 |
| Non-current liabilities | 2 112 203 |
| | 2 156 157 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

3.1 Impact of adoption of IFRS 16 (continued)

3.1.2 Adjustments recognised on adoption of IFRS 16 (continued)

The lease liabilities arise from lease contracts held predominantly in Zimbabwe. The Group holds an immaterial office lease contract in South Africa. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The net impact on retained profits on 1 January 2019 was nil as the amount of lease liabilities recognised was equal to the right of use assets recognised.

Right of use assets recognised in the statement of financial position as at 31 December 2019

The recognised right-of-use assets relate to the following types of assets:

| | 31 December 2019 US\$ | 1 January 2019 US\$ |
|----------------------------------|-----------------------------|---------------------------|
| Hotel buildings | 9 703 234 | 5 548 170 |
| Office buildings | 527 640 | 111 147 |
| Staff houses | 2 673 445 | 995 975 |
| Land | 74 185 | 140 169 |
| Total right of use assets | 12 978 504 | 6 795 461 |

3.1.3 Amounts recognised in profit or loss

| | 2019 US\$ |
|---|----------------|
| Depreciation charge of right-of-use assets | |
| Hotel buildings | 156 450 |
| Office buildings | 45 245 |
| Staff houses | 30 214 |
| | 231 909 |
| Interest expenses (included in finance costs) | 514 442 |
| Short term, low value and variable lease expenses | 2 491 348 |

3.1.4 Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4, Determining whether an arrangement contains a lease.

3.1.5 The Group's leasing activities and how these are accounted for

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

3.1 Impact of adoption of IFRS 16 (continued)

3.1.5 The Group's leasing activities and how these are accounted for (continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right of use assets and lease liabilities arising from leases are initially measured at cost and on a present value basis respectively. Lease liabilities include the net present value of the following lease payments:

- a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- b) variable lease payment that are based on an index or a rate;
- c) amounts expected to be payable by the lessee under residual value guarantees;
- d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group's incremental borrowing rate is used to discount the lease payments, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- a) the amount of the initial measurement of lease liability;
- b) any lease payments made at or before the commencement date less any lease incentives received;
- c) any initial direct costs; and
- d) restoration costs.

Leases of hotels properties whose payments are associated with variable lease payments that are not based on an index or rate, short-term leases and leases of low - value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

3.1 Impact of adoption of IFRS 16 (continued)

3.1.5 The Group's leasing activities and how these are accounted for (continued)

Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of adoption of IFRS 16.

3.2 Change in accounting policy for subsequent measurement of property and equipment

The Group changed its accounting policy relating to subsequent measurement of property and equipment, excluding capital work in progress, from the cost model to the revaluation model with effect from 30 June 2019. On the date of change in functional currency for all the Zimbabwe based subsidiaries, all balances were deemed to be ZWL balances resulting in the Group's property and equipment which were predominately acquired in foreign currency being grossly undervalued on translation to the US\$ for financial reporting in accordance with IAS 21. The change in accounting policy was applied prospectively from 30 June 2019.

The impact of change in accounting policy as at 31 December 2019 is as follows:

| | SEGMENT | | | Total US\$ |
|---|---------------------|---------------------|----------------|---------------------|
| | Hospitality US\$ | Real Estate US\$ | Other US\$ | |
| Increase in carrying amount of property and equipment | 56 484 060 | 359 580 | 1 157 769 | 58 001 409 |
| Increase in deferred tax liabilities | (13 526 075) | (88 889) | (287 240) | (13 902 204) |
| Increase in equity | 42 957 985 | 270 691 | 870 529 | 44 099 205 |

The historical cost, depreciation and carrying amount of property and equipment as at 31 December 2019 had the Group not changed to the revaluation model would have been as follows:

| | SEGMENT | | | Total US\$ |
|-------------------------------------|---------------------|---------------------|------------------|--------------------|
| | Hospitality US\$ | Real Estate US\$ | Other US\$ | |
| Historical cost | 26 084 582 | 719 361 | 2 225 346 | 29 029 289 |
| Historical accumulated depreciation | (4 081 850) | (522 216) | (1 027 941) | (5 632 007) |
| Net carrying amount | 22 002 732 | 197 145 | 1 197 405 | 23 397 282 |

4 IAS 29 IMPLEMENTATION

All the Company's subsidiaries operate in Zimbabwe, therefore, were affected by the financial reporting developments in the country that resulted in the implementation of IAS 29 by the subsidiaries during the year ended 31 December 2019. The Public Accountants Auditors Board ("PAAB") in Zimbabwe issued a pronouncement ("Pronouncement 01/2019") on the application of IAS 29 in Zimbabwe after broad market consensus that factors and characteristics to consider Zimbabwe economy as hyperinflationary have been met. One characteristic that leads to the classification of an economy as hyperinflationary, is a cumulative three year inflation rate approaching or exceeding 100%.

4 IAS 29 IMPLEMENTATION (CONTINUED)

Pronouncement 01/2019 covered the preparation and presentation of financial statements of entities operating in Zimbabwe for the financial periods ending on or after 1 July 2019. The Group determined the effective date of application of the IAS 29 is 1 October 2018. International Financial Reporting Interpretations Committee (“IFRIC”), 7 - *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*, requires that the Group’s Zimbabwe based subsidiaries apply the IAS 29 as if the economy was always hyperinflationary.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the reporting date, and that the corresponding figures for prior periods be stated in terms of measuring unit current at the end of reporting date. Professional judgement was used and appropriate adjustments were made to historical financial information in preparing financial information which is IAS 29 compliant. The restatement has been calculated by means of adjusting factors derived from the general consumer price index (“CPI”) prepared by Zimbabwe National Statistics Agency (“ZimStat”).

The adjustment factors used to restate the financial statements of Zimbabwe based Subsidiaries as 31 December 2019, using 2018 base year are as follows:

| Date | Indices | Adjusting factor |
|------------------|---------|------------------|
| 31 December 2019 | 551.63 | 1.0000 |
| 31 December 2018 | 88.81 | 6.2115 |

The indices and adjusting factors have been applied to the historical cost of transactions and balances. All items in the statement of comprehensive income are restated by applying relevant monthly adjusting factors and the net effect of the inflation adjustments on the net ‘monetary position is included in the statement of comprehensive income as a monetary loss or gain. ‘Comparative information is restated using the inflation indices in terms of the measuring unit current at the reporting date.

Monetary assets and liabilities are not restated as they are already stated in terms of the measuring unit current at the reporting date. Non-monetary assets and liabilities that are not carried at amounts current at the reporting date and components of shareholders equity are restated by applying the relevant monthly adjusting factor.

Revalued property and equipment, and investment property were restated by applying the relevant monthly adjusting factor and then compared against the revalued amounts and a revaluation gain or impairment was recognised. Capital work in progress was not revalued, but was restated by applying the relevant monthly adjusting factor. Property and equipment additions were restated from the later of date of purchase and 1 October 2018, using the relevant monthly adjusting factor. Disposals were restated from dates of sale using relevant monthly adjusting factor. Prepayments were restated by applying the relevant monthly adjusting factor.

Inventories are carried at the lower of restated cost and net realisable value. Deferred tax is provided in respect of temporary differences arising from the ‘restatement of assets and liabilities. All items of statement of cashflows are expressed in terms of measuring unit current at the ‘reporting date.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks; market risk (including foreign exchange risk and cash flow interest rate 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; foreign exchange risk, interest rate risk and other price risk.

(a) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the South African Rand as certain hotel bookings are made and settled in these two currencies. The Group functional currency is the US\$.

Management at each subsidiary level has set up policies that allows the respective finance department to manage each of the Group entities' foreign exchange risk against the various functional currencies. To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the finance department performs foreign currency asset and liability matching methods. There are no changes in how foreign exchange risk is managed relative to the previous periods.

The table below summarises the Group's exposure to foreign exchange risk as at 31 December 2019. Included in the table are the Group's assets and liabilities at carrying amounts categorised by currency:

| | 2019 US\$ | 2018 US\$ |
|--------------------|----------------|------------------|
| Assets | | |
| South African rand | 476 052 | 1 551 779 |
| Botswana pula | - | 6 631 |
| Australian dollar | 55 | 55 |
| Euro | 189 060 | 24 074 |
| British pound | - | 4 816 |
| | 665 167 | 1 587 355 |
| Liabilities | | |
| South African rand | (122 971) | (150 328) |
| | 542 196 | 1 437 027 |

As at 31 December 2019, if the United States of America dollar (weakened)/strengthened by 10% against all the other currencies with all other variables held constant, pre-tax profit for the year and total equity would have been US\$54 220 lower or higher (2018: US\$143 703 lower or higher) for the Group.

There were no hedges in place as at 31 December 2019 (2018: US\$nil).

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(i) Market risk (continued)

(b) Cash flow interest rate risk

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

The Group manages cashflow interest rate risk by entering into borrowings based on fixed interest rate arrangements.

(c) Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

As at the reporting date, the Group did not have financial assets exposed to price risk.

(ii) Credit risk

Credit risk is the risk that one party to the financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk is managed primarily at operating subsidiary level. Credit risk arises from cash at banks, and deposits with banks and financial institutions, and trade and other receivables. For banks and financial institutions, only those with credit rating of B or better are used.

For corporate customers, the Group assesses the credit quality of the customers taking into account their financial position, past experience and other factors in the market. Customer limits are set based on internal and external information. The utilisation of credit limits is regularly monitored. As at 31 December 2019, customers with balances of US\$19 164 exceeded their credit limits (2018: US\$38 352). Only a few debtors with a good track record are allowed to exceed their credit limit under the supervision of the hotel general manager and hotel financial controller. The Group believes that these amounts are collectable based on the historical record of the clients in question and the controls management has in place regarding such excess amounts.

Counterparty risk is further managed by constant engagement of credit customers to determine the current position and recoverability. All credit granted is subject to terms and conditions, where upon breach by the customers, the Group takes legal action where amounts are material and recovery is possible. As at 31 December 2019, as was the case in the prior year, the Group had very insignificant debtors that had been handed over to debt collectors for collection. Receivables handed over for legal action are generally provided for in full, and written off after 12 months when there are no realistic prospects for recovery.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(ii) Credit risk (continued)

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

| | 2019 US\$ | 2018 US\$ |
|---|-------------------|-------------------|
| Trade receivables | 3 891 861 | 6 338 396 |
| Other receivables at amortised cost (excluding prepayments) | 2 141 540 | 2 707 810 |
| Cash and cash equivalents | 12 383 969 | 16 078 301 |
| | 18 417 370 | 25 124 507 |

The fair value of cash at hand as at 31 December 2019 and 31 December 2018 approximate carrying amounts. Trade and other receivables excluding pre-payments are shown before allowance for expected credit losses.

The Group holds accounts with high quality financial institutions with sound financial base and capital cover. The financial institutions holding the cash and cash equivalents of the Group have the following external credit ratings:

| | 2019 US\$ | 2018 US\$ |
|--------------|-------------------|-------------------|
| AA | 5 865 565 | 2 908 228 |
| AA- | 336 859 | 823 697 |
| A+ | 438 170 | 1 476 997 |
| A | 1 827 300 | 2 758 254 |
| A- | 424 554 | 290 127 |
| BBB+ | 3 030 199 | 5 526 254 |
| BBB | 448 940 | 1 134 734 |
| BBB- | - | 1 087 060 |
| BB+ | 5 925 | 10 490 |
| BB | 6 457 | 54 356 |
| No rating ** | - | 8 104 |
| | 12 383 969 | 16 078 301 |

** The exposure to financial institutions without rating arises from use of mobile money transfer institutions which are currently unrated by extensively used in Zimbabwe.

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

(a) Impairment of trade and other receivables

The Group has financial assets that are subject to IFRS 9's expected credit loss model. These comprises trade and other receivables, as well as cash and cash equivalents.

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

- trade receivables from sale of rooms, food, beverages, conferencing, gaming and other related activities ("hospitality");
- trade receivables from provision of property advisory services ("real estate");
- trade receivables from provision of logistics services;
- staff receivables;
- other receivables at amortised cost; and
- cash and cash equivalents.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, identified allowance for credit losses were immaterial.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(ii) Credit risk (continued)

(a) Impairment of trade and other receivables (continued)

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

To measure the expected credit losses, the various categories of trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rates are based on the payment profiles of sales over a period of 60 months before 1 January 2019, respectively.

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

On that basis, the allowance for expected credit losses as at the reporting date was determined as follows for the trade receivables.

| | Current US\$ | More than 30 days past due US\$ | More than 60 days past due US\$ | More than 90 days past due US\$ | More than 120 days past due US\$ | Total US\$ |
|--|------------------|---|---|---|--|------------------|
| 31 December 2019 | | | | | | |
| Trade receivables - hospitality | | | | | | |
| Expected credit loss rate | 6% | 4% | 4% | 50% | 100% | 27% |
| Gross carrying amount | 1 618 290 | 661 061 | 325 491 | 121 981 | 750 643 | 3 477 466 |
| Allowance for expected credit losses | 104 272 | 26 582 | 12 369 | 60 991 | 750 643 | 954 857 |
| Carrying amount | 1 514 018 | 634 479 | 313 122 | 60 990 | - | 2 522 609 |
| Trade receivables - real estate | | | | | | |
| Expected credit loss rate | 5% | 4% | 17% | 17% | 100% | 41% |
| Gross carrying amount | 34 428 | 35 424 | 4 817 | 1 777 | 46 196 | 122 642 |
| Allowance for expected credit losses | 1 582 | 1 573 | 795 | 307 | 46 196 | 50 453 |
| Carrying amount | 32 846 | 33 851 | 4 022 | 1 470 | - | 72 189 |
| Trade receivables - Logistics | | | | | | |
| Expected credit loss rate | 2% | - | - | - | - | 2% |
| Gross carrying amount | 291 753 | - | - | - | - | 291 753 |
| Allowance for expected credit losses | 5 835 | - | - | - | - | 5 835 |
| Carrying amount | 285 918 | - | - | - | - | 285 918 |
| GROUP | | | | | | |
| Expected credit loss rate | 6% | 4% | 4% | 50% | 100% | 26% |
| Gross carrying amount | 1 944 471 | 696 485 | 330 308 | 123 758 | 796 839 | 3 891 861 |
| Allowance for expected credit losses | 111 689 | 28 155 | 13 164 | 61 298 | 796 839 | 1 011 145 |
| Carrying amount | 1 832 782 | 668 330 | 317 144 | 62 460 | - | 2 880 716 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(ii) Credit risk (continued)

(a) Impairment of trade and other receivables (continued)

| | Current US\$ | More than 30 days past due US\$ | More than 60 days past due US\$ | More than 90 days past due US\$ | More than 120 days past due US\$ | Total US\$ |
|--|------------------|---|---|---|--|------------------|
| 31 December 2018 | | | | | | |
| Trade receivables - hospitality | | | | | | |
| Expected credit loss rate | 7% | 5% | 5% | 50% | 100% | 22% |
| Gross carrying amount | 1 674 378 | 875 410 | 632 240 | 321 996 | 539 119 | 4 043 143 |
| Allowance for expected credit losses | 112 863 | 41 062 | 29 774 | 160 998 | 539 119 | 883 816 |
| Carrying amount | 1 561 515 | 834 348 | 602 466 | 160 998 | - | 3 159 327 |
| Trade receivables - real estate | | | | | | |
| Expected credit loss rate | 9% | 14% | 35% | 53% | 73% | 26% |
| Gross carrying amount | 1 043 580 | 137 239 | 48 861 | 52 841 | 381 048 | 1 663 569 |
| Allowance for expected credit losses | 95 174 | 18 942 | 17 054 | 28 160 | 278 357 | 437 687 |
| Carrying amount | 948 406 | 118 297 | 31 807 | 24 681 | 102 691 | 1 225 882 |
| Trade receivables - other | | | | | | |
| Expected credit loss rate | 5% | - | - | - | 100% | 50% |
| Gross carrying amount | 332 039 | - | - | - | 299 645 | 631 684 |
| Allowance for expected credit losses | 16 602 | - | - | - | 299 645 | 316 247 |
| Carrying amount | 315 437 | - | - | - | - | 315 437 |
| GROUP | | | | | | |
| Expected credit loss rate | 7% | 6% | 7% | 50% | 92% | 26% |
| Gross carrying amount | 3 049 997 | 1 012 649 | 681 101 | 374 837 | 1 219 812 | 6 338 396 |
| Allowance for expected credit losses | 224 639 | 60 004 | 46 828 | 189 158 | 1 117 121 | 1 637 750 |
| Carrying amount | 2 825 358 | 952 645 | 634 273 | 185 679 | 102 691 | 4 700 646 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(ii) Credit risk (continued)

(a) Impairment of trade and other receivables (continued)

The Group uses three categories for trade receivables which reflect their credit risk and how the allowance for expected credit loss is determined for each of these categories.

A summary of the assumptions underpinning the Group's expected credit losses model is as follows

| Category | Group's definition | Basis for recognition of expected credit losses allowance |
|---------------------------|--|---|
| Stage 1 (Performing) | Trade receivables whose credit risk is in line with original expectations. These covers current to receivables within 30 days. | 12 months expected credit losses |
| Stage 2 (Underperforming) | Trade receivables for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are more 30 days up to 90 days past due. | Lifetime expected credit losses |
| Stage 3 (Non-performing) | Interest and/or principal repayments are more than 90 days past due or it becomes probable a debtor will enter bankruptcy. | Lifetime expected credit losses |

The gross carrying amounts of trade receivables in each of the categories above as at the reporting date were as follows;

| | 2019 US\$ | 2018 US\$ |
|----------------------------|------------------|------------------|
| Stage 1 (Performing) | 2 640 956 | 4 062 646 |
| Stage 2 (Under performing) | 330 308 | 681 101 |
| Stage 3 (Non-performing) | 920 597 | 1 594 649 |
| | 3 891 861 | 6 338 396 |

(b) Impairment of financial assets at amortised cost

Other financial assets at amortised cost include staff loans, receivables from related parties and other receivables. Applying the general approach for the expected credit risk model resulted in recognition of US\$74 636 (2018: US\$1 139 712) expected credit loss allowance on financial assets at amortised cost.

| | Related parties US\$ | Staff loans US\$ | Other receivables US\$ | Total US\$ |
|--------------------------------------|-------------------------|---------------------|---------------------------|--------------------|
| As at December 2019 | | | | |
| Gross carrying amount | 34 114 | 111 310 | 492 799 | 638 223 |
| Allowance for expected credit losses | (34 114) | (6 425) | (34 097) | (74 636) |
| Carrying amount | - | 104 885 | 458 702 | 563 587 |
| As at December 2018 | | | | |
| Gross carrying amount | 369 349 | 661 480 | 1 448 986 | 2 479 815 |
| Allowance for expected credit losses | (222 636) | (102 255) | (814 821) | (1 139 712) |
| Carrying amount | 146 714 | 559 225 | 634 165 | 1 340 103 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(ii) Credit risk (continued)

(b) Impairment of financial assets at amortised cost (continued)

The gross carrying amounts of financial assets at amortised cost in each of the categories above as at the reporting date were as follows;

| | 2019 US\$ | 2018 US\$ |
|----------------------------|----------------|------------------|
| Stage 1 (Performing) | 604 109 | 2 297 879 |
| Stage 2 (Under performing) | - | - |
| Stage 3 (Non-performing) | 34 114 | 181 936 |
| | 638 223 | 2 479 815 |

c) Reconciliation of opening to closing allowance for expected credit losses

The allowance for expected credit losses for trade receivables and other financial assets at amortised cost as at 31 December 2019 reconciles to the opening allowance for expected credit losses as follows:

| | 2019 | | | 2018 | | |
|---|--------------------------|---|--------------------|--------------------------|---|------------------|
| | Trade receivable US\$ | Financial assets at amortised cost US\$ | Total US\$ | Trade receivable US\$ | Financial assets at amortised cost US\$ | Total US\$ |
| Balance as at 1 January as previously stated | 1 637 750 | 1 139 712 | 2 777 462 | 762 029 | 629 106 | 1 391 135 |
| Increase in allowance for expected credit losses charged to retained earnings | - | - | - | 759 265 | 311 801 | 1 071 066 |
| As at 1 January 2018 calculated under IFRS 9 | 1 637 750 | 1 139 712 | 2 777 462 | 1 521 294 | 940 907 | 2 462 201 |
| Net allowance for expected credit losses recognised in profit or loss during the year | 290 620 | (436 588) | (145 968) | 173 799 | 198 805 | 372 604 |
| Impact of translation of foreign operations on opening balances | (901 912) | (628 488) | (1 530 400) | - | - | - |
| Trade receivables written off as uncollectible | (15 313) | - | (15 313) | (57 343) | - | (57 343) |
| Balance as at 31 December | 1 011 145 | 74 636 | 1 085 781 | 1 637 750 | 1 139 712 | 2 777 462 |

No significant changes to estimation techniques or assumptions were made during the reporting period. The Group does not hold any security in relation to trade receivables.

(iii) Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(iii) Liquidity risk (continued)

Surplus cash held by the operating subsidiaries in excess of working capital requirements are invested with financial institutions with solid financial standing, mainly in the form of fixed term deposits. The subsidiaries choose instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

Delays in the settlement of foreign obligations that is generally experienced in Zimbabwe is mitigated by the Group's ability to generate foreign currency from its hospitality and logistics businesses.

The table below analyses the Group's liquidity gap in to relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year US\$ | 1 to 5 years US\$ | More than 5 years US\$ | Total contractual cashflows US\$ | Total carrying amount US\$ |
|---|-----------------------------|----------------------|------------------------------|---|-------------------------------------|
| As at 31 December 2019 | | | | | |
| Liabilities | | | | | |
| Borrowings | 195 950 | 368 029 | - | 563 979 | 455 684 |
| Lease liabilities | 48 569 | 139 672 | 2 194 312 | 2 382 553 | 2 156 157 |
| Trade and other payables (excluding statutory liabilities) | 10 809 727 | - | - | 10 809 727 | 11 664 482 |
| Total liabilities | 11 054 246 | 507 701 | 2 194 312 | 13 756 259 | 14 276 323 |
| Assets held for managing liquidity risk | | | | | |
| Trade and other receivables (excluding prepayments) | 4 530 084 | 97 093 | - | 4 627 177 | 4 947 620 |
| Cash and cash equivalents | 12 481 738 | - | - | 12 481 738 | 12 481 738 |
| | 17 011 822 | 97 093 | - | 17 108 915 | 17 429 358 |
| Liquidity gap | 5 957 576 | (410 608) | (2 194 312) | 3 352 656 | |
| Cumulative liquidity gap | 5 957 576 | 5 546 968 | 3 352 656 | - | |
| As at 31 December 2018 | | | | | |
| Liabilities | | | | | |
| Borrowings | 14 244 283 | 4 142 890 | - | 18 387 173 | 17 066 606 |
| Trade and other payables (excluding statutory liabilities) | 13 708 170 | - | - | 13 708 170 | 25 777 506 |
| Total liabilities | 27 952 453 | 4 142 890 | - | 32 095 343 | 42 844 112 |
| Assets held for managing liquidity risk | | | | | |
| Trade and other receivables (excluding prepayments) | 6 740 623 | - | - | 6 740 623 | 6 268 744 |
| Cash and cash equivalents | 16 362 679 | - | - | 16 362 679 | 16 362 679 |
| | 23 103 302 | - | - | 23 103 302 | 22 631 423 |
| Liquidity gap | (4 849 151) | (4 142 890) | - | (8 992 041) | |
| Cumulative liquidity gap | (4 849 151) | (8 992 041) | (8 992 041) | - | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Capital management

The capital of the Group consists of debt (as detailed in note 19) and equity which comprises stated capital, retained profits and other reserves. There were no changes in the components of debt and equity in the prior year.

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

None of the subsidiaries within the Group has externally imposed regulatory capital.

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt. During the financial year ended 31 December 2019, the Group's strategy was to maintain gearing ratio below 45% (2018: 45%).

The gearing ratios at 31 December 2019 and 2018 were as follows:

| | 2019 US\$ | 2018 US\$ |
|--|--------------------|---------------------|
| Borrowings (note 19) | (455 684) | (17 066 606) |
| Lease liabilities (note 3.1.2) | (2 156 157) | - |
| | (2 611 841) | (17 066 606) |
| Less cash and cash equivalents (note 18) | 12 481 738 | 16 362 679 |
| Net debt | 9 869 897 | (703 927) |
| Total equity | 117 169 122 | 101 744 683 |
| Total capital | 117 169 122 | 102 448 610 |
| Gearing ratio | - | 1% |
| Net debt reconciliation | | |
| This section sets out an analysis of net debt and the movements in net debt for each of the periods presented. | | |
| Cash and cash equivalents | 12 481 738 | 16 362 679 |
| Total borrowings (fixed interest rates) | (455 684) | (17 066 606) |
| Lease liabilities | (2 156 157) | - |
| | (2 611 841) | (17 066 606) |
| | 9 869 897 | (703 927) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Capital management (continued)

Net debt reconciliation

| | Other assets | | Liabilities from financing activities | | Total US\$ |
|---|-------------------|-------------------------|---------------------------------------|------------------------|---------------------|
| | Cash at bank US\$ | Liquid investments US\$ | Borrowings US\$ | Lease liabilities US\$ | |
| Net debt as at 1 January 2018 | 10 544 319 | 3 139 091 | (38 324 028) | - | (24 640 618) |
| Cashflows (based on total of amounts on the statement of cashflows) | 5 852 502 | - | 10 944 527 | - | 16 797 029 |
| Fair value losses (note 14) | - | 979 561 | - | - | 979 561 |
| Reclassification from investments in associates (note 14) | - | 6 542 311 | - | - | 6 542 311 |
| Recognition of GetSure loan obligation on sale of subsidiary* | - | - | (139 177) | - | (139 177) |
| Foreign exchange gains | (34 142) | - | - | - | (34 142) |
| Disposals (note 14) | - | (8 015 004) | - | - | (8 015 004) |
| Maturity of treasury bills (note 14) | - | (155 773) | - | - | (155 773) |
| Derecognition of financial assets on sale of subsidiary (note 11.2.2) | - | (2 220 540) | - | - | (2 220 540) |
| Other non-cash movements | - | (269 646) | 10 452 072 | - | 10 182 426 |
| Debt settled through delivery of equity instruments (note 19) | - | - | 1 608 443 | - | 1 608 443 |
| Principal and interest settled through delivery of GetBucks shares (note 14.1 and 19) | - | (269 646) | 8 760 418 | - | 8 490 722 |
| Other non-cash movements | - | - | 83 211 | - | 83 211 |
| Net debt as at 31 December 2018 | 16 362 679 | - | (17 066 606) | - | (703 927) |
| Recognition of lease liabilities (note 3.1.2) | - | - | - | (6 795 461) | (6 795 461) |
| Cashflows (based on total of amounts on the statement of cashflows) | 1 070 984 | - | 3 916 008 | 445 255 | 5 432 247 |
| Non-cash movements | (4 951 925) | - | 12 694 914 | 4 194 049 | 11 937 038 |
| Debt settled through delivery of equity instruments (note 22.3) | - | - | 5 007 757 | - | 5 007 757 |
| Foreign exchange gains (note 19) | (4 951 925) | - | 72 504 | - | (4 879 421) |
| Effects of translation of foreign operations on opening balances | - | - | 7 614 653 | 4 194 049 | 11 808 702 |
| Net debt as at 31 December 2019 | 12 481 738 | - | (455 684) | (2 156 157) | 9 869 897 |

* This relates to the loan which previously existed between GetSure Life Assurance Company (Private) Limited ("GetSure") and Arden Capital (Private) Limited (formerly Brainworks Capital Management (Private) Limited) and had previously been eliminated in the consolidated financial statements. This loan was recognised as part of the Group's obligations on disposal of GetSure.

Liquid investments comprise current investments namely treasury bills and equity investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for 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'.

5.3.1 Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

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

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices for the listed equities; and
- discounted cashflows at discount rates adjusted for counterparty or own credit risk.

As at 31 December 2019, the Group did not have financial assets carried at fair value (2018: nil).

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

6.1 Key estimates

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

(a) Income taxes

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

(b) Valuation of investment property

Refer to note 9 for further disclosure.

(c) Impairment

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

- i) Significant increase of credit risk - in assessing whether the credit risk of an asset has significantly increased the directors considers qualitative and quantitative reasonable and supportable forward-looking information.
- ii) Model and assumptions used - the Group used model and assumptions in estimating ECL. Directors have applied judgement in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

6.2 Key judgements

The key judgements that were made during the preparation of the financial statements were as follows:

(a) Functional and presentation currency

On the 22 February 2019, Statutory Instrument ("SI") 32 of 2019 was issued as an amendment to the Reserve Bank of Zimbabwe Act (Chapter 22:15) that introduced a new currency called the Real Time Gross Settlement ("RTGS") dollar. An Exchange Control Directive RU 28 of 2019 was also issued on the same day which introduced an interbank exchange rate for the RTGS dollar ("RTGS\$") to the US\$ as well as other existing currencies in the multicurrency regime. In addition, SI 33 of 2019 was issued on 22 February 2019 which made reference to the following matters among other key provisions;

- that the RBZ has, with effect from 22 February 2019 ("the Effective date") issued an electronic currency called the RTGS\$;
- RTGS balances expressed in US\$ immediately before 22 February 2019, shall from the Effective date be deemed to be opening balances in RTGS\$ at par with the US\$;
- for accounting and other purposes, all assets and liabilities that were valued and expressed in US\$ immediately before 22 February 2019 shall be deemed to be values in RTGS\$ at rate of one-to one to the US\$; and
- that after the Effective date, any variance from the opening parity rate shall be determined from time to time by the rate at which authorised dealers under the Exchange Control Act (Chapter 22:15) exchange

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

the RTGS\$ for the US\$ and other currencies on a willing-seller willing-buyer basis.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

6.2 Key judgements (continued)

(a) Functional and presentation currency (continued)

On 24 June 2019, the currency was renamed from RTGS\$ to the Zimbabwe dollar ("ZWL") through SI 142 of 2019.

The subsidiaries in Zimbabwe translated their statement of financial position on the date of change in functional currency at a rate of 1 US\$ to 1 ZWL in accordance with Statutory Instrument 33 and subsequently remeasured foreign currency denominated monetary assets and liabilities using the inter bank market rate.

On 24 June 2019, the currency was renamed from RTGS dollar to the Zimbabwe dollar ("ZWL") through SI 142 of 2019.

On the basis of the foregoing and the assessment done, the Group concluded that the functional currency of the subsidiaries changed from the US\$ to Zimbabwe dollar ("ZWL") from 22 February 2019. The financial statements for the subsidiaries are presented in ZWL. However, the Company's functional currency is still the US\$. As a result, the Group's financial statements have been prepared and presented in US\$.

The financial statements of the subsidiaries, which have been prepared in conformity with IAS 29, were translated to US\$ on the basis of a spot rate of 1 US\$ to 16.7734 ZWL in accordance with principles of both IAS 29 and IAS 21. The adopted spot rate was established on the basis of the US\$ to ZWL interbank exchange rate as at 31 December 2019 in Zimbabwe.

(b) Tax liabilities

As disclosed in note 32.1, the Group is defending various tax claims from the Zimbabwe Revenue Authority. On the basis of tax advice the Group has received from independent tax and legal counsel, the Directors have recognised a liability for one of the claims as disclosed in note 19.1, and considered the remainder to be contingent.

(c) Determination of lease terms

The Group leases various office buildings, hotel buildings, golf course, car parks and staff housing. Rental contracts are typically made for fixed periods of two years to fifteen years. Leases for hotel buildings have extension options for renewal at the end of the lease up to five renewals at the option of the Group.

The Group determined that the non-cancellable period of the leases are the original lease terms, together with the periods covered by options to extend the leases that the Group is reasonably certain to extend because of both significant leasehold improvements undertaken, and the importance of the underlying leases assets to the Group's operations.

7 SEGMENT INFORMATION

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 Group Executive Committee ("Group Exco"). The Group Exco, which consists of the Chief Executive Officer, the Chief Financial Officer and the Group Head of Legal and Compliance, examines the Group's performance both from a service offering perspective and has identified the following four reportable segments:

- a) Hospitality - this part of the business operates within the tourism and hospitality sector, operating 11 hotels all in Zimbabwe.
- b) Real estate - this part of the segment's business:
 - holds 7 hotels that are all leased to the hospitality segment of the Group's business.
 - develops residential properties which are either sold or held for capital appreciation, informed by the prevailing economic environment;
 - offers property management, valuation, agency and other and ancillary services; and
 - owns resorts properties which are sold under timeshare arrangements.

7 SEGMENT INFORMATION (CONTINUED)

- c) Logistics - the logistics business is involved in road transportation of bulk petroleum products, mainly to Zambia and the Democratic Republic of Congo.
- d) Other - this includes head office and group services.

The Group Exco primarily uses a measure of operating profit to assess the performance of the operating segments, on the basis of amounts as they would appear in the financial statements. However, the Group Exco also receives information about the segments' revenue, operating expenses, assets and liabilities on a monthly basis.

Revenue, assets and liabilities

The revenue from external parties reported to the Group Executive Committee is measured in a manner consistent with how revenue is measured in the statement of comprehensive income. The Group does not rely on any one specific customer as none of its customers contribute a minimum of 10% of its revenue.

The amounts provided to the Group Executive Committee with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. Assets are allocated based on the operations of the segment and the physical location of the asset.

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

Allocation of Group companies to reportable segments

| Entity | Segment | 2019 | 2018 | Principal activities |
|--|--------------------|------|------|--|
| African Sun Limited | Hospitality | √ | √ | Hotel and hospitality operations |
| Dawn Properties Limited | Real estate | √ | √ | Property holding, development and consulting |
| Getsure Life Assurance (Private) Limited | Financial services | ** | √ | Life assurance products and services |
| FML Logistics (Private) Limited | Logistics | √ | *** | Fuel transportation services |
| Arden Capital (Private) Limited (formerly Brainworks Capital Management (Private) Limited) | Other | √ | √ | Investment holding company in Zimbabwe |
| Arden Capital Limited (formerly Brainworks Limited) | Other | √ | √ | Ultimate holding company |

- √ denotes that the respective company was part of the Group during the relevant year.
- ** The entire equity interest in this subsidiary was disposed of on 30 June 2018. Refer to note 10.2 for further disclosures. GetSure Life Assurance (Private) Limited was part of the financial services segment which was considered to be insignificant to the Group.
- *** This was disclosed as part of the "Other" segment in 2018, but has been disaggregated to a separate reportable segment with effect from 2019. Although the Logistics segment does not meet any of the quantitative thresholds in accordance with IFRS 8, "Segment reporting", the Group has decided to report and separately disclose the same, as it believes that information about the segment would be useful to users of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

7 SEGMENT INFORMATION (CONTINUED)

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

| | Hospitality US\$ | Real estate US\$ | Logistics US\$ | Other US\$ | Consolidation adjustments US\$ | Continuing operations US\$ |
|--|---------------------|---------------------|--------------------|--------------------|--------------------------------------|----------------------------------|
| Year ended 31 December 2019 | | | | | | |
| Revenue: | | | | | | |
| External customers | | | | | | |
| -Sale of room nights, food and beverages | 52 185 131 | - | - | - | - | 52 185 131 |
| -Conferencing and other income | 199 030 | - | - | - | - | 199 030 |
| -Casino and gaming revenue | 2 115 113 | - | - | - | - | 2 115 113 |
| -Fuel transportation logistics | - | - | 2 636 141 | - | - | 2 636 141 |
| -Rental income | - | 86 174 | - | - | - | 86 174 |
| -Timeshare sales | - | 6 062 | - | - | - | 6 062 |
| -Valuation and consultation services | - | 355 776 | - | - | - | 355 776 |
| -Fee and commission income | - | 476 707 | - | - | - | 476 707 |
| | 54 499 274 | 924 719 | 2 636 141 | - | - | 58 060 134 |
| Internal customers | | | | | | |
| -Rental income | - | 2 965 314 | - | - | (2 965 314) | - |
| Total revenue | 54 499 274 | 3 890 033 | 2 636 141 | - | (2 965 314) | 58 060 134 |
| Timing of recognition of revenue | | | | | | |
| - at a point in time | 54 499 274 | 832 483 | 2 636 141 | - | (2 965 314) | 55 002 584 |
| - over time | - | 3 057 550 | - | - | - | 3 057 550 |
| | 54 499 274 | 3 890 033 | 2 636 141 | - | (2 965 314) | 58 060 134 |
| Cost of sales | (11 317 232) | - | - | - | - | (11 317 232) |
| Other direct costs | - | - | (1 022 837) | - | - | (1 022 837) |
| | (11 317 232) | - | (1 022 837) | - | - | (12 340 069) |
| Gross profit | 43 182 042 | 3 890 033 | 1 613 304 | - | (2 965 314) | 45 720 065 |
| Operating expenses | | | | | | |
| Employee benefit expenses | (6 957 460) | (827 027) | (402 785) | (1 096 342) | - | (9 283 614) |
| Operating lease expenses | (5 346 100) | (19 744) | (17 928) | (27 820) | 2 920 244 | (2 491 348) |
| Other operating expenses | (12 116 022) | (1 034 215) | (441 449) | (1 846 145) | 1 491 787 | (13 946 044) |
| Depreciation and amortisation | (4 237 715) | (100 638) | (198 999) | (29 179) | (385 035) | (4 951 566) |
| Equipment written off | - | (172 569) | (395 264) | - | - | (567 833) |
| | (28 657 298) | (2 154 194) | (1 456 425) | (2 999 486) | 4 026 998 | (31 240 405) |
| Other key information | | | | | | |
| Other income (net) | 7 876 467 | 52 782 677 | 750 779 | 1 264 924 | (43 041 085) | 19 633 762 |
| Operating profit/(loss) | 20 681 098 | 54 485 005 | 1 019 435 | (1 754 420) | (40 171 728) | 34 259 390 |
| Finance income | 48 454 | 6 432 | - | 1 043 130 | (1 013 887) | 84 129 |
| Finance costs | (577 836) | (79 751) | (54 688) | (3 202 562) | 1 059 048 | (2 855 789) |
| Net finance costs | (529 382) | (73 319) | (54 688) | (2 159 432) | 45 161 | (2 771 660) |
| Profit/(loss) before income tax | 20 151 716 | 54 411 686 | 964 747 | (3 913 852) | (40 126 566) | 31 487 730 |
| Total assets as at 31 December 2019 | 62 869 164 | 90 814 731 | 2 443 013 | 96 855 480 | (92 323 634) | 160 658 754 |
| Total assets include: | | | | | | |
| Non-current assets (other than financial instruments and deferred tax assets): | | | | | | |
| - Property and equipment | 26 949 043 | 65 887 218 | 1 782 444 | 184 549 | - | 94 803 254 |
| - Goodwill | 4 241 093 | - | - | - | - | 4 241 093 |
| | 31 190 136 | 65 887 218 | 1 782 444 | 184 549 | - | 99 044 347 |
| Total liabilities as at 31 December 2019 | 23 481 114 | 5 718 279 | 802 690 | 14 585 037 | (1 097 487) | 43 489 633 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

7 SEGMENT INFORMATION (CONTINUED)

| | Hospitality US\$ | Real estate US\$ | Financial services US\$ | Logistics US\$ | Other US\$ | Consolidation adjustments US\$ | Continuing operations US\$ |
|---|---------------------|---------------------|-------------------------------|--------------------|--------------------|--------------------------------------|----------------------------------|
| Year ended 31 December 2018 | | | | | | | |
| Revenue: | | | | | | | |
| External customers | | | | | | | |
| - Sale of room nights food and beverages | 65 081 238 | - | - | - | - | - | 65 081 238 |
| - Conferencing and other income | 3 089 582 | - | - | - | - | - | 3 089 582 |
| - Casino and gaming revenue | 328 591 | - | - | - | - | - | 328 591 |
| - Gross premiums | - | - | 1 142 654 | - | - | - | 1 142 654 |
| - Fuel transportation logistics | - | - | - | 2 553 850 | - | - | 2 553 850 |
| - Rental income | - | 324 778 | - | - | - | - | 324 778 |
| - Timeshare sales | - | 22 831 | - | - | - | - | 22 831 |
| - Property development sales | - | 4 400 000 | - | - | - | - | 4 400 000 |
| - Valuation and consultation services | - | 579 273 | - | - | - | - | 579 273 |
| - Fee and commission income | - | 1 773 925 | - | - | 250 574 | (250 574) | 1 773 925 |
| | 68 499 411 | 7 100 807 | 1 142 654 | 2 553 850 | 250 574 | (250 574) | 79 296 722 |
| Internal customers | | | | | | | |
| -Rental income | - | 3 994 351 | - | - | - | (3 994 351) | - |
| Total revenue | 68 499 411 | 11 095 158 | 1 142 654 | 2 553 850 | 250 574 | (4 244 925) | 79 296 722 |
| Timing of recognition of revenue | | | | | | | |
| - at a point in time | 68 499 411 | 6 753 198 | - | 2 553 850 | 250 574 | (4 244 925) | 73 812 108 |
| - over time | - | 4 341 960 | 1 142 654 | - | - | - | 5 484 614 |
| | 68 499 411 | 11 095 158 | 1 142 654 | 2 553 850 | 250 574 | (4 244 925) | 79 296 722 |
| Cost of sales | (19 141 018) | (4 180 075) | - | - | - | - | (23 321 093) |
| Life assurance expenses and claims | - | - | (861 071) | - | - | - | (861 071) |
| Other direct costs | - | - | - | (1 417 507) | - | - | (1 417 507) |
| | (19 141 018) | (4 180 075) | (861 071) | (1 417 507) | - | - | (25 599 671) |
| Gross profit | 49 358 393 | 6 915 083 | 281 583 | 1 136 343 | 250 574 | (4 495 499) | 53 697 051 |
| Operating expenses | | | | | | | |
| Employee benefit expenses | (9 889 000) | (1 687 740) | (225 392) | (536 405) | (2 313 917) | - | (14 652 454) |
| Operating lease expenses | (7 666 844) | - | (19 446) | (31 080) | (60 000) | 3 994 351 | (3 783 019) |
| Other operating expenses | (17 180 629) | (2 066 068) | (370 599) | (522 985) | (4 444 943) | 154 679 | (24 430 545) |
| Depreciation and amortisation | (2 770 135) | (131 248) | (40 196) | (377 117) | (61 762) | (883 548) | (4 264 006) |
| Other impairment charges | (198 238) | (16 726) | - | (1 428) | (179 674) | - | (396 066) |
| | (37 704 846) | (3 901 782) | (655 633) | (1 469 015) | (7 060 296) | 3 265 482 | (47 526 090) |
| Other key information | | | | | | | |
| Other income (net) | 2 603 662 | 2 178 978 | 3 796 326 | 563 121 | 5 888 269 | (3 001 811) | 12 028 545 |
| Operating profit/(loss) | 14 186 926 | 4 889 957 | 3 422 276 | 230 449 | (921 453) | (3 981 253) | 17 826 902 |
| Finance income | 72 373 | 37 538 | - | 1 909 | 1 126 026 | (1 123 343) | 114 503 |
| Finance costs | (660 028) | (295 216) | 59 135 | (185 655) | (3 501 653) | 1 311 417 | (3 272 000) |
| Net finance (costs)/income | (587 655) | (257 678) | 59 135 | (183 746) | (2 375 627) | 188 074 | (3 157 497) |
| Share of profit of associates | - | - | 302 654 | - | 209 635 | - | 512 289 |
| Profit/(loss) before income tax | 13 599 271 | 4 632 279 | 3 784 065 | 46 704 | (3 087 445) | (3 793 180) | 15 181 694 |
| Total assets as at 31 December 2018 | 48 378 718 | 100 574 106 | - | 3 876 340 | 67 185 938 | (64 791 056) | 155 224 046 |
| Total assets include: | | | | | | | |
| Non-current assets (other than financial instruments and deferred tax assets) | | | | | | | |
| - Property and equipment | 24 131 483 | 63 387 105 | - | 2 372 283 | 173 413 | (1 110 119) | 88 954 165 |
| - Goodwill | 8 261 050 | - | - | - | - | - | 8 261 050 |
| | 32 392 533 | 63 387 105 | - | 2 372 283 | 173 413 | (1 110 119) | 97 215 215 |
| Total liabilities as at 31 December 2018 | 28 689 696 | 9 771 506 | - | 3 320 573 | 29 119 595 | (17 422 007) | 53 479 363 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

7 SEGMENT INFORMATION (CONTINUED)

Geographical distribution of revenue assets and liabilities

| | 2019 US\$ | 2018 US\$ |
|--|--------------------|--------------------|
| Assets - attributable to: | | |
| - Mauritius incorporated and domiciled company | 421 070 | 291 702 |
| - Zimbabwe incorporated and domiciled companies | 160 237 684 | 154 932 344 |
| | 160 658 754 | 155 224 046 |
| <p>The Group's assets are all domiciled in Zimbabwe, except for cash and cash equivalents held in Mauritius.</p> | | |
| Liabilities - attributable to: | | |
| - Mauritius incorporated and domiciled company | 843 308 | 8 949 159 |
| - Zimbabwe incorporated and domiciled companies | 42 646 325 | 44 530 204 |
| | 43 489 633 | 53 479 363 |

The Group's revenue is all generated from operations domiciled in Zimbabwe.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

8 PROPERTY AND EQUIPMENT

| | Land and buildings US\$ | Leasehold improvements US\$ | Motor vehicles US\$ | Computer equipment US\$ | Office equipment US\$ | Furniture and fittings US\$ | Hotel equipment US\$ | Capital work in progress US\$ | Farming equipment US\$ | Total US\$ |
|---|-------------------------|-----------------------------|---------------------|-------------------------|-----------------------|-----------------------------|----------------------|-------------------------------|------------------------|---------------------|
| 31 December 2019 | | | | | | | | | | |
| Cost | | | | | | | | | | |
| As at 1 January | 68 297 693 | 4 510 252 | 5 156 239 | 169 503 | 256 711 | 57 143 | 27 488 792 | 1 458 422 | 562 070 | 107 956 825 |
| Additions | - | 370 521 | 278 654 | 32 342 | 20 871 | 485 | 3 530 206 | 1 264 230 | - | 5 497 309 |
| Exchange differences | - | - | - | - | - | - | 22 875 | - | - | 22 875 |
| Net revaluation (**) | 6 111 359 | 296 075 | 205 254 | (4 593) | 9 342 | (13 219) | 1 768 203 | (455 989) | (279 834) | 7 636 598 |
| Revaluation - cost | 48 250 895 | 2 533 934 | 2 745 190 | 78 033 | 134 256 | 15 971 | 15 327 568 | - | - | 69 085 847 |
| Exchange differences on translation of foreign operations | (42 139 536) | (2 237 859) | (2 539 936) | (82 626) | (124 914) | (29 190) | (13 559 365) | (455 989) | (279 834) | (61 449 249) |
| Disposals | - | - | (230 641) | (2 650) | - | - | (234 975) | - | - | (468 266) |
| Equipment written off# | - | - | (755 059) | - | - | - | - | - | (172 569) | (927 628) |
| As at 31 December 2019 | 74 409 052 | 5 176 848 | 4 654 447 | 194 602 | 286 924 | 44 409 | 32 575 101 | 2 266 663 | 109 667 | 119 717 713 |
| Accumulated depreciation and impairment | | | | | | | | | | |
| As at 1 January | (3 539 982) | (1 878 914) | (1 567 948) | (87 813) | (112 644) | (57 143) | (11 597 404) | (91 884) | (68 928) | (19 002 660) |
| Depreciation charge | (449 387) | (458 763) | (435 636) | (28 008) | (32 165) | (1 113) | (3 310 697) | - | (3 889) | (4 719 658) |
| Net revaluation (**) | (1 297 804) | 557 439 | 464 010 | 42 174 | 44 802 | 17 531 | (1 743 852) | 44 712 | 33 541 | (1 837 447) |
| Revaluation - cost | (3 020 415) | (356 870) | (298 978) | (557) | (10 012) | (10 276) | (7 387 330) | - | - | (11 084 438) |
| Exchange differences on translation of foreign operations | 1 722 611 | 914 309 | 762 988 | 42 731 | 54 814 | 27 807 | 5 643 478 | 44 712 | 33 541 | 9 246 991 |
| Equipment written off# | - | - | 359 795 | - | - | - | - | - | - | 359 795 |
| Accumulated depreciation on disposals | - | - | 134 641 | 2 405 | - | - | 148 465 | - | - | 285 511 |
| As at 31 December 2019 | (5 287 173) | (1 780 238) | (1 045 138) | (71 242) | (100 007) | (40 725) | (16 503 488) | (47 172) | (39 276) | (24 914 459) |
| Net carrying amount as at 31 December 2019 | 69 121 879 | 3 396 610 | 3 609 309 | 123 360 | 186 917 | 3 684 | 16 071 613 | 2 219 491 | 70 391 | 94 803 254 |

** Net revaluation

As detailed in note 2.1.1, the subsidiaries in Zimbabwe changed their functional currency during the year. Hitherto, the US\$ and the Zimbabwe dollar ("ZWL") had in terms of the regulations been held at par, and financial statements had been prepared and presented on that basis. However, following the official promulgation of an exchange rate between the ZWL and the US\$ in February 2019, property and equipment balances were for accounting purposes initially translated to ZWL on the basis of an exchange rate of ZWL1 to US\$1. This exchange rate had deteriorated to US\$1 to ZWL16.7734 as at the end of the year, which necessitated the change from the cost to the revaluation model with respect to subsequent measurement of property and equipment, as detailed in note 3.2.

The revaluation of property and equipment which was carried out for the Group at the end of the year should, therefore, be viewed in the context of mitigating the net foreign currency translation losses of US\$52.2 million on property and equipment that arose following the currency changes in Zimbabwe. In the absence of this revaluation, this would have resulted in the value of property and equipment being materially understated.

On the basis of the above, in order to better reflect the impact, the revaluation adjustments have been presented together with the translation losses to reflect the net impact, being net increase of US\$5.8million.

Equipment written off

The write-off relates to trucks and farm equipment that were owned by the Logistics segment and Real estate segment, respectively. The whole amount was recognized under operating expenses in the statement of comprehensive income, and there was no amount included in the asset revaluation surplus relating to the relevant assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

8 PROPERTY AND EQUIPMENT (CONTINUED)

| | Land and buildings US\$ | Leasehold improvements US\$ | Motor vehicles US\$ | Computer equipment US\$ | Office equipment US\$ | Furniture and fittings US\$ | Hotel equipment US\$ | Capital work in progress US\$ | Farming equipment US\$ | Total US\$ |
|---|----------------------------|--------------------------------|------------------------|----------------------------|--------------------------|--------------------------------|-------------------------|----------------------------------|---------------------------|---------------------|
| 31 December 2018 | | | | | | | | | | |
| Cost | | | | | | | | | | |
| As at 1 January | 69 596 674 | 3 998 881 | 4 560 487 | 161 382 | 229 231 | 154 082 | 23 542 434 | 849 402 | 562 070 | 103 654 643 |
| Additions | - | 185 924 | 849 476 | 44 182 | 51 956 | 1 040 | 4 167 750 | 954 079 | - | 6 254 407 |
| Disposals | (1 298 981) | - | (182 914) | (15 714) | (1 250) | - | (241 004) | - | - | (1 739 863) |
| Transfers | - | 325 447 | - | - | - | - | 19 612 | (345 059) | - | - |
| Disposal of subsidiary (note 11.2.2) | - | - | (70 810) | (20 347) | (23 226) | (97 979) | - | - | - | (212 362) |
| As at 31 December 2018 | 68 297 693 | 4 510 252 | 5 156 239 | 169 503 | 256 711 | 57 143 | 27 488 792 | 1 458 422 | 562 070 | 107 956 825 |
| Accumulated depreciation and impairment | | | | | | | | | | |
| As at 1 January | (2 756 481) | (1 332 626) | (1 180 836) | (74 944) | (95 393) | (91 245) | (9 541 912) | (91 884) | (50 501) | (15 215 822) |
| Depreciation charge | (863 808) | (546 288) | (507 832) | (38 063) | (27 703) | (9 204) | (2 230 584) | - | (18 427) | (4 241 909) |
| Accumulated depreciation on disposals | 80 307 | - | 100 101 | 14 983 | - | - | 1 75 092 | - | - | 370 483 |
| Disposal of subsidiary (note 11.2.2) | - | - | 20 619 | 10 211 | 10 452 | 43 306 | - | - | - | 84 588 |
| As at 31 December 2018 | (3 539 982) | (1 878 914) | (1 567 948) | (87 813) | (112 644) | (57 143) | (11 597 404) | (91 884) | (68 928) | (19 002 660) |
| Net carrying amount as at 31 December 2018 | 64 757 711 | 2 631 338 | 3 588 291 | 81 690 | 144 067 | - | 15 891 388 | 1 366 538 | 493 142 | 88 954 165 |

8 PROPERTY AND EQUIPMENT (CONTINUED)

Land and buildings

Land and buildings includes the following seven hotels leased by Dawn Properties Limited, a subsidiary of the Group, to African Sun Limited, a fellow subsidiary of the Group, under variable rental arrangements and are accounted as investment property in the financial statements of Dawn Properties and are reclassified to property and equipment in the consolidated financial statements of the Group:

- Elephant Hills Resort and Conference Centre - hotel building;
- Monomotapa Hotel - hotel building;
- Caribea Bay Resort - hotel building;
- Hwange Safari Lodge - hotel building;
- Troutbeck Resort - hotel building;
- Great Zimbabwe Hotel - hotel building; and
- Holiday Inn Mutare - hotel building.

Capital work in progress

Capital work in progress relates to refurbishment equipment and hotel furniture, fittings and equipment that was undertaken or acquired during the financial year, but had not yet been brought into use as at the reporting date. As a result, these are not depreciated.

Capital commitments

There were no contractual commitments for the acquisitions of property and equipment as at 31 December 2019 (2018: US\$ nil)

Valuation processes

During the year the Group changed its accounting policy from the cost model to the revaluation model as detailed under note 3.2. Consequently, the Group engaged Dawn Property Consultancy (Private) Limited to value its property and equipment excluding capital work in progress as at 31 December 2019. The valuation was done in accordance with the relevant professional guidelines and statements issued under the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual ("the Red Book") 6th Edition, International Valuations Standards Committee ("IVSC") and the Real Estate Institute of Zimbabwe ("REIZ") Standards.

Level 3 - inputs used to value property and equipment are not based on observable market data (that is unobservable inputs).

There are no level 1 and level 2 assets and there were no transfers between level 1 and level 2 during 2019 (2018 :nil).

Freehold properties (which comprise land and buildings) were valued using the market comparable approach and the depreciated replacement cost. Both valuation basis conform to international valuation standards. The market comparable method compares like with like, extracts data from properties recently sold or on offer similar to those to be valued with the same planning controls. The data is then analysed and applied to the subject property varied by scrutiny of comparables not exactly equivalent in size, quality and location. The market comparative approach was adopted for the valuation of residential houses that are held by the Group through African Sun Limited.

According to Royal Institute for Chartered Surveyors ("RICS"), the depreciated replacement cost ("DRC") "is the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation". The DRC method was used to value the hotel properties, which the Group holds through Dawn Properties Limited, as it is impractical to adopt the market approach given that there is limited active market for such properties in Zimbabwe.

All the other categories of equipment above, excluding capital work in progress (which is carried at cost), were also valued based on the depreciated replacement cost basis as there was no active market for such assets in Zimbabwe during the year. The depreciated replacement cost is derived from adjusting current prices drawn from the most recent transactions in general, for contractual, location and inherent differences.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

8 PROPERTY AND EQUIPMENT (CONTINUED)

| Description | Fair value as at 31 December 2019 US\$ | Valuation technique | Unobservable inputs | Range of Unobservable inputs (weighted average) | Relationship of unobservable inputs to fair value |
|---|--|---------------------|---|---|---|
| Freehold properties (hotel properties included in land and buildings) | 65 330 494 | Cost approach | Estimated cost to complete and furnish the similar property | Commercial Offices US\$1 050 - US\$1 400 per square meter Shops US\$950 - US\$1 150 per square meter Flats US\$950 - US\$1 150 per square meter Industrial US\$700 - US\$1 000 per square meter | The higher the cost of the inputs the higher the fair value |
| Freehold properties (residential properties included in land and buildings) | 3 791 384 | Market approach | US\$ rate per square meter price | Low density houses US\$698- US\$895 per square meter High density houses US\$450- US\$895 per square meter Boundary walls US\$40- US\$60 per square meter Gates US\$300- US\$1790 per square meter | The higher price per square meter the higher the fair value |
| Leasehold properties | 3 396 610 | Cost approach | Estimated cost to complete and furnish the similar property | Inputs include labour, paint, carpets, designs, and construction materials | The higher the cost of the inputs the higher the fair value |
| Motor vehicles | 3 609 309 | Cost approach | Estimated cost of similar vehicle | US\$8 945 - US\$119 000 | The type and engine capacity of the motor vehicle |
| Computer equipment | 123 360 | Cost approach | Estimated cost of similar computer equipment | Wide price range as the category comprises various items of equipment | The higher the cost of the inputs the higher the fair value |
| Office equipment | 186 918 | Cost approach | Estimated cost of similar office equipment | Wide price range as the category comprises various items of office equipment | The higher the cost of the inputs the higher the fair value |
| Furniture and fittings | 3 684 | Cost approach | Estimated cost of similar furniture and fittings | Wide price range as the category comprises various items of furniture and fittings | The higher the cost of the inputs the higher the fair value |
| Hotel equipment | 16 071 613 | Cost approach | Estimated cost of similar hotel equipment | Wide price range as the category comprises various items of hotel equipment | The higher the cost of the inputs the higher the fair value |
| Farm equipment | 70 391 | Cost approach | Estimated cost of similar farm equipment | Wide price range as the category comprises various items farm equipment items | The higher the cost of the inputs the higher the fair value |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

8 PROPERTY AND EQUIPMENT (CONTINUED)

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

All the depreciation is charged in operating expenses in profit or loss.

There were no contractual commitments for the acquisition of property and equipment as at 31 December 2019 (2018:US\$ nil).

There were no borrowing costs capitalised during the year (2018: US\$nil).

Properties held as security against borrowings have been disclosed on note 19.

9 INVESTMENT PROPERTY

| | 2019 US\$ | 2018 US\$ |
|---|-------------------|-------------------|
| At beginning of the year | 23 551 754 | 22 254 000 |
| Acquisitions | 153 882 | 887 232 |
| Improvements to investment property capitalised | - | 45 942 |
| Disposal of subsidiary (note 11.2.2) | - | (380 000) |
| Other disposals | - | (205 000) |
| Transfer from inventory (note 16.2) | 1 248 114 | - |
| | (2 248 040) | 949 580 |
| Fair value gains | 13 256 442 | 949 580 |
| Impact of translation of opening balances from foreign operations | (15 504 482) | - |
| At end of year | 22 705 710 | 23 551 754 |

9.1 Valuation processes

As was the case in the prior year, all the investment property was valued 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 by IAS 40, 'Investment property'. The valuer holds recognised and relevant professional qualifications and has recent experience in the relevant location and the category of properties being valued.

9.2 Valuation techniques underlying management's estimation of fair value

Hotel buildings, residential properties and timeshare properties with fair values of US\$5.7 million, US\$2.6m and US\$1.2million respectively as at 31 December 2019 were valued based on the depreciated replacement cost basis as there is a limited active market for such assets in Zimbabwe during the year and in the previous year. These properties are included in investment property valued at US\$22.7 million as at 31 December 2019 (31 December 2018: US\$23.6million). In addition, the two hotel buildings were vacant as at the reporting date and not generating any income. With respect to the timeshare properties, the revenue being generated by those assets was also very low owing to the challenging economic environment and the much needed renovations on these properties before they could be actively marketed. As a result, the depreciated replacement cost was considered as the most appropriate valuation model in the circumstances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

9 INVESTMENT PROPERTY (CONTINUED)

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

As there is a limited active market for the hotel properties in Zimbabwe, current prices were drawn from recent transactions for land in general. The prices were adjusted for contractual, location and inherent differences. The following rates have been used:

| | 2019 US\$ rate/sqm | 2018 US\$ rate/sqm |
|-----------------------------------|-----------------------|-----------------------|
| Construction cost figures: | | |
| Grade "A" offices | 1 200 - 1 400 | 1 000 - 1 150 |
| Grade "B" offices | 1 050 - 1 150 | 950 - 1 150 |
| Industrial offices | 700 - 800 | 850 - 1 000 |
| Industrial factory | 700 - 750 | 700 - 750 |
| Land comparable: | | |
| Industrial areas | 25 - 30 | 25 - 30 |
| High density areas | 30 - 75 | 30 - 75 |
| Medium density areas | 30 - 60 | 30 - 60 |
| Low density areas | 25 - 45 | 25 - 45 |
| Commercials - avenues | 250 - 400 | 250 - 400 |
| Central business district | 600 - 750 | 600 - 750 |

The valuers considered the gross replacement cost and the depreciated replacement cost in estimating the fair value of the hotel properties, in addition to taking into account recent market transactions where available.

The summary of the results are as follows:

| | 2019 US\$ | 2018 US\$ |
|---|--------------|--------------|
| Hotel properties value indicators: | | |
| Gross replacement cost (buildings) | 13 298 019 | 13 298 000 |
| Depreciated replacement cost (buildings) | 3 804 559 | 5 378 000 |
| Land value | 2 099 992 | 4 250 000 |
| Land value plus depreciated replacement cost of buildings | 5 904 551 | 9 628 000 |
| Market value | 5 722 494 | 9 020 790 |

The cost approach was used to determine the fair value of vacant 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 due to volatile market factors and inaccessible or unavailable information. Under normal circumstances hotels are valued using the income method. As the hotels above are currently not operating and under care and maintenance, 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 of the depreciated replacement cost would be accepted. The most significant unobservable input into this valuation is replacement cost per square meter for buildings and improvements, and selling price per square meter of land.

The method used for valuing land is market comparison method. The method entailed comparing like with 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

9 INVESTMENT PROPERTY (CONTINUED)

9.3 Valuation techniques underlying management's estimation of fair value

- (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 squaremetre.
- (b) Age of property:
Based on the use to date as well as the date from commissioning of the property and the current state of structures and utilities specific to it's use as investment property, and 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 five classes of investment property being hotel properties, residential properties, land, office and timeshares properties, all being situated in Zimbabwe.

| | Hotel properties US\$ | Residential properties US\$ | Land US\$ | Timeshares US\$ | Office property US\$ | Total US\$ |
|---|--------------------------|--------------------------------|-------------------|--------------------|-------------------------|-------------------|
| Fair value hierarchy | 3 | 3 | 3 | 3 | 3 | |
| Year ended 31 December 2018 | | | | | | |
| As at 1 January 2018 | 9 274 848 | - | 11 400 152 | 1 199 000 | 380 000 | 22 254 000 |
| Additions | - | - | 887 232 | - | - | 887 232 |
| Improvements capitalised | 45 942 | - | - | - | - | 45 942 |
| Disposals | - | - | (205 000) | - | - | (205 000) |
| Transfer on disposal of subsidiary (note 11.2.2) | - | - | - | - | (380 000) | (380 000) |
| Fair value (losses)/gains | (300 000) | - | 1 249 580 | - | - | 949 580 |
| As at 31 December 2018 | 9 020 790 | - | 13 331 964 | 1 199 000 | - | 23 551 754 |
| Year ended 31 December 2019 | | | | | | |
| As at 1 January 2019 | 9 020 790 | - | 13 331 964 | 1,199,000 | - | 23 551 754 |
| Acquisitions | - | - | 153 882 | - | - | 153 882 |
| Improvements capitalised | - | - | - | - | - | - |
| Transfer from inventory (note 16.2) | - | 1 248 114 | - | - | - | 1 248 114 |
| Net fair value loss** | (3 298 296) | 1 356 676 | (266 218) | (40 202) | - | (2 248 040) |
| Fair value gains | 3 019 645 | 1 356 676 | 8 128 673 | 751 448 | - | 13 256 442 |
| Impact of translation of foreign operations on opening balances | (6 317 941) | - | (8 394 891) | (791 650) | - | (15 504 482) |
| As at 31 December 2019 | 5 722 494 | 2 604 790 | 13 219 628 | 1 158 798 | - | 22 705 710 |

** As detailed in note 2.1.1, the subsidiaries in Zimbabwe changed their functional currency during the year. Hitherto, the US\$ and the Zimbabwe dollar ("ZWL") had in terms of the regulations been held and par, and financial statements had been prepared and presented on that basis. However, following the official promulgation of an exchange rate between the ZWL and the US\$ in February 2019, investment properties were for accounting purposes initially translated to ZWL on the basis of an exchange rate of ZWL1 to US\$1. This exchange rate had deteriorated to ZWL1 to US\$16.7734 as at the end of the year, give rise to the US\$15.5 million translation loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

9 INVESTMENT PROPERTY (CONTINUED)

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

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

9.4 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.

9.5 Observability

Since each property is unique in nature and the hotel real estate is vacant, 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.

| | Cost approach US\$ | Sales comparison US\$ |
|--|-----------------------|--------------------------|
| Sensitivity on managements estimates: | | |
| Change in depreciated replacement cost/square metre (cost/sqm): | | |
| Year ended 31 December 2019 | | |
| 5% decrease in the replacement cost/sqm | 190 228 | - |
| 5% decrease in the replacement cost/sqm | (190 228) | - |
| 5% increase in the selling price/sqm | - | 105 000 |
| 5% decrease in the selling price/sqm | - | (105 000) |
| Year ended 31 December 2018 | | |
| 5% decrease in the replacement cost/sqm | 268 900 | - |
| 5% decrease in the replacement cost/sqm | (268 900) | - |
| 5% increase in the selling price/sqm | - | 212 500 |
| 5% decrease in the selling price/sqm | - | (212 500) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

10 INTANGIBLE ASSETS

| | Software US\$ | Goodwill US\$ | Total US\$ |
|---|------------------|------------------|------------------|
| YEAR ENDED 31 DECEMBER 2019 | | | |
| Cost | | | |
| Balance at beginning of the year | - | 8 261 050 | 8 261 050 |
| Additions | - | - | - |
| Carrying amount at the end of the year | - | 8 261 050 | 8 261 050 |
| Balance at beginning of year | - | - | - |
| Impact of translation of foreign operations | - | (4 019 957) | (4 019 957) |
| Carrying amount at the end of the year | - | 4 241 093 | 4 241 093 |
| YEAR ENDED 31 DECEMBER 2018 | | | |
| Cost | | | |
| Balance at beginning of the year | 296 534 | 8 261 050 | 8 557 584 |
| Additions | - | - | - |
| Derecognition on sale of subsidiary (note 11.2.2) | (296 534) | - | (296 534) |
| Balance at the end of year | - | 8 261 050 | 8 261 050 |
| Amortisation and impairment | | | |
| Balance at beginning of year | 143 628 | - | 143 628 |
| Amortisation charge for the year | 22 097 | - | 22 097 |
| Derecognition on sale of subsidiary (note 11.2.2) | (165 725) | - | (165 725) |
| Carrying amount at the end of the year | - | 8 261 050 | 8 261 050 |

There were no contractual commitments for the acquisitions of any intangible asset as at 31 December 2019 (2018:US\$nil).

Goodwill

Goodwill is monitored by management at the level of the operating segments identified in note 6.

A segment summary of the goodwill allocation is presented below:

| | Hospitality US\$ | Total US\$ |
|-------------------------|---------------------|------------------|
| 31 December 2019 | | |
| African Sun Limited | 4 241 093 | 4 241 093 |
| 31 December 2018 | | |
| African Sun Limited | 8 261 050 | 8 261 050 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

10 INTANGIBLE ASSETS (CONTINUED)

Goodwill (continued)

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit ("CGU") is determined based on value in use calculation which require the use of assumptions. The calculations use cashflow projections based on financial budgets approved by the board of directors of the relevant subsidiary covering a five year period.

Cashflows beyond the five year period are extrapolated using estimated growth rates which management considers reasonable and achievable.

The following table sets out the key assumptions for the CGU that has significant goodwill allocated to them:

| | HOSPITALITY | |
|------------------------------------|-------------|------------|
| | 2019 | 2018 |
| Sale volume (% annual growth rate) | 10% | 20.0% |
| Budgeted gross margin (%) | 77% | 70.0% |
| Average hotel occupancy (%) | 52% | 50.0% |
| Average daily hotel rate (US\$) | 105 | 95 |
| Other operating costs (US\$) | 30 766 387 | 33 779 818 |
| Annual capital expenditure | 10 039 549 | 5 084 098 |
| Long term growth rate | 5.8% | 0.5% |
| Pre-tax discount rate | 39.5% | 14.8% |

In line the currency changes in Zimbabwe, the value in use calculation was carried out in ZWL, the functional currency of the subsidiary in the hospitality segment, and of Arden Capital (Private) Limited, the immediate holding company.

| Assumption | Approach used to determining values |
|----------------------------|--|
| Sale volume | Average annual growth rate over the five year forecast period, based on historical performance and management's expectations of future market developments. |
| Budgeted gross margin | Average annual growth rate over the five year forecast period, based on current industry trends and management's expectations of future market developments. |
| Average hotel occupancy | Average annual growth rate over the five year forecast period, based on historical performance. Historical performance is adjusted to exclude non-recurring events that could have had an impact on the occupancy rates. Projected occupancy rates also incorporate management's expectations of future industry developments. |
| Average daily hotel rate | Average actual hotel daily rate for all the hotels over the five year forecast period, based on actual historical performance. Projected average daily hotel rates also incorporate management's expectations of future industry developments. |
| Other operating costs | Other operating costs relate to fixed costs of the CGU, which do not vary significantly with sales volumes or prices. Management forecasts these expenses based on the current structure of the business, adjusting for inflationary increases but not reflecting any future cost savings or cost saving measures. The amounts disclosed above are the average annual operating costs for the five year forecast period. |
| Annual capital expenditure | This is the expected capital expenditure in the CGUs. This is based on planned refurbishment expenditure. No incremental revenues or cost savings are assumed in the value-in-use model as a result of this expenditure. |
| Long term growth rate | This is the rate used to extrapolate cash flows beyond the forecast period. The rate is based on management's conservative view regarding future industry growth. |
| Pre-tax discount rate | This is expected weighted average cost of capital based on historical borrowing interest rates and how the business has been financed between debt and equity. |

10 INTANGIBLE ASSETS (CONTINUED)

Goodwill (continued)

Impact of possible changes in key assumptions

The recoverable amount of the hospitality CGU is estimated to exceed the carrying amount of the CGU at 31 December 2019 by US\$13 674 500 (2018: US\$5 357 000).

If the budgeted sales volume used in the value-in-use calculation for the hospitality CGU had been 5% lower than management's estimates at 31 December 2019 (9.5% instead of 10%), the recoverable amount would have exceeded the carrying amount of the CGU at 31 December 2019 by US\$13 625 000 (2018: US\$4 941 000).

If the long-term growth rate applied to the cash flow projections of this CGU had been 0% (instead of 0.5%), the recoverable amount would have exceeded the carrying amount of the CGU at 31 December 2019 by US\$12 040 000 (2018: US\$2 752 000).

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 5% higher than management's estimates (41.5% instead of 37.5%), the recoverable amount would have exceeded the carrying amount of the CGU at 31 December 2019 by US\$13 021 000 (2018; US\$2 300 000).

11 INVESTMENT IN SUBSIDIARIES

| | COMPANY | |
|--|--------------|--------------|
| | 2019 US\$ | 2018 US\$ |
| Direct shareholding in: | | |
| Arden Capital (Private) Limited (formerly Brainworks Capital Management (Private) Limited) | 55 540 986 | 55 540 986 |

There were no changes in Arden Capital Limited's shareholding in Arden Capital (Private) Limited as at 31 December 2019 when compared to the prior year.

| Name of entity | Country of incorporation | % shareholding | No. of equity shares |
|---------------------------------|--------------------------|----------------|----------------------|
| Arden Capital (Private) Limited | Zimbabwe | 100% | 86 306 195 |

Subsidiaries of Arden Capital (Private) Limited

Arden Capital Limited indirectly holds the following subsidiaries through Arden Capital (Private) Limited:

- African Sun Limited, 57.67% shareholding (31 December 2018: 57.67%) and is listed on the Zimbabwe Stock Exchange ("ZSE");
- Dawn Properties Limited, 66.81% shareholding (31 December 2018: 66.81%) and is listed on the ZSE;
- Brainworks Petroleum (Private) Limited, 100% shareholding. Brainworks Petroleum owns FML Logistics (Private) Limited ("FML Logistics"). The shareholding in FML Logistics is 100% (31 December 2018: 100%);
- Brainworks Hotels and Real Estate (Private) Limited; 100% shareholding (31 December 2018: 100%); and
- Lengrah Investments (Private) Limited; 100% shareholding (31 December 2018: 100%).

The Group's material operating subsidiaries are African Sun Limited and Dawn Properties Limited. Both subsidiaries also have significant non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

11.1 Summarised financial information for African Sun Limited and Dawn Properties Limited

| | 31 December 2019 | | 31 December 2018 | |
|---------------------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
| | African Sun Limited US\$ | Dawn Properties Limited US\$ | African Sun Limited US\$ | Dawn Properties Limited US\$ |
| ASSETS | | | | |
| Non current net assets | | | | |
| Property and equipment | 26 949 043 | 556 724 | 24 131 483 | 925 303 |
| Right-of-use assets | 12 961 772 | - | | |
| Investment property | - | 88 036 203 | - | 90 802 754 |
| Other non current assets | 7 203 297 | 1 193 046 | 6 953 827 | 2 372 708 |
| | 47 114 112 | 89 785 973 | 31 085 310 | 94 100 765 |
| Current assets | | | | |
| Inventories | 3 923 649 | 103 413 | 3 043 287 | 2 444 179 |
| Trade and other receivables | - | 873 228 | 372 794 | 2 347 127 |
| Cash and cash equivalents | 11 831 403 | 52 117 | 13 877 327 | 1 682 035 |
| | 15 755 052 | 1 028 758 | 17 293 408 | 6 473 341 |
| Total assets | 62 869 164 | 90 814 731 | 48 378 718 | 100 574 106 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital and share premium | 17 322 308 | 10 009 235 | 33 741 401 | 19 496 571 |
| Other reserves | 17 593 682 | 3 916 115 | (3 554 078) | 7 353 815 |
| Retained profits/(accumulated losses) | 4 472 060 | 71 171 102 | (10 498 300) | 63 952 214 |
| | 39 388 050 | 85 096 452 | 19 689 023 | 90 802 600 |
| Non-current liabilities | | | | |
| Borrowings | - | 139 603 | 2 594 561 | 1 579 520 |
| Lease liabilities | 2 092 001 | - | | |
| Deferred tax | 9 622 150 | 5 091 660 | 4 649 134 | 4 647 244 |
| | 11 714 151 | 5 231 263 | 7 243 695 | 6 226 764 |
| Current liabilities | | | | |
| Borrowings | - | 222 944 | 1 637 719 | 1 478 791 |
| Trade and other payables | 11 766 963 | 264 072 | 19 808 281 | 2 065 951 |
| | 11 766 963 | 487 016 | 21 446 000 | 3 544 742 |
| Total equity and liabilities | 62 869 164 | 90 814 731 | 48 378 718 | 100 574 106 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

11.1 Summarised financial information for African Sun Limited and Dawn Properties Limited (continued)

| | 31 December 2019 | | 31 December 2018 | |
|---|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
| | African Sun Limited US\$ | Dawn Properties Limited US\$ | African Sun Limited US\$ | Dawn Properties Limited US\$ |
| Summarised statement of comprehensive income | | | | |
| Revenue | 54 499 274 | 3 890 033 | 68 499 411 | 11 095 159 |
| Cost of sales | (11 317 232) | - | (19 141 018) | (4 180 075) |
| Gross profit | 43 182 042 | 3 890 033 | 49 358 393 | 6 915 084 |
| Fair value gains on investment property | - | 52 979 418 | - | 1 899 580 |
| Other income (net) | 7 876 467 | (196 741) | 2 473 674 | 279 398 |
| Operating expenses (including allowance for expected credit losses) | (30 377 411) | (2 187 705) | (37 775 129) | (4 204 104) |
| Net finance charges | (529 382) | (73 319) | (587 655) | (257 679) |
| Profit before income tax | 20 151 716 | 54 411 686 | 13 599 271 | 4 632 279 |
| Income tax expense | (9 000 815) | (3 519 843) | (3 463 411) | (1 107 805) |
| Profit for the year | 11 150 901 | 50 891 843 | 10 005 872 | 3 524 474 |
| Other comprehensive income/(loss) | 19 415 640 | 270 691 | (86 031) | - |
| Total comprehensive income | 30 566 541 | 51 162 534 | 9 919 841 | 3 524 474 |
| Summarised statement of cashflows | | | | |
| Cash generated from operating activities | 17 746 333 | 1 334 442 | 14 382 884 | 4 105 572 |
| Cash used in investing activities | (5 228 029) | (169 529) | (5 755 195) | (910 961) |
| Cash used in financing activities | (4 031 667) | (663 773) | (3 078 771) | (1 715 966) |
| Net increase in cash and cash equivalents for the year | 8 486 637 | 501 140 | 5 548 918 | 1 478 645 |
| Cash and cash equivalents at the beginning of the year | 13 877 327 | 1 682 035 | 8 362 552 | 203 390 |
| Impact of translation of foreign operations | (10 532 561) | (1 976 671) | (34 143) | - |
| Cash and cash equivalents at the end of the year | 11 831 403 | 206 504 | 13 877 327 | 1 682 035 |

11.2 Disposal of a subsidiary

On 30 June 2018 the Group sold 100% of its equity investment in GetSure Life Assurance Company (Private) Limited ("GetSure"). The disposal was part of the Group's strategy to exit its financial services sector investments. GetSure had hitherto been disclosed as part of "Financial services" on the Group's segment report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

11.2 Disposal of a subsidiary (continued)

11.2.1 Loss from sale of subsidiary

| | 2018 US\$ |
|--|----------------------|
| Consideration | 6 203 190 |
| Cash | 1 883 847 |
| Amount payable to GetSure assumed by the Buyer* | 4 319 343 |
| Carrying amount of net assets sold (note 11.2.2) | 7 150 531 |
| Loss from disposal | (947 341) |

* - As at the date of disposal of equity investment in GetSure, the Group owed GetSure US\$4 319 343 through Arden Capital (Private) Limited (formerly Brainworks Capital Management (Private) Limited). As part of settlement of the purchase consideration, the Buyer agreed to assume the Group's indebtedness to GetSure and to settle the same in due course. GetSure formally consented to the arrangement and agreed that Arden Capital (Private) Limited had fully discharged its obligation.

11.2.2 Net assets sold on disposal of subsidiary

The carrying amount of assets and liabilities as at 30 June 2018, the date of disposal were as follows:

| | 2018 US\$ |
|---|----------------------|
| Total assets | |
| Investment property | 380 000 |
| Equipment | 127 774 |
| Intangible assets | 130 809 |
| Financial assets at fair value through profit or loss | 2 220 540 |
| Trade and other receivables | 6 964 833 |
| Cash and cash equivalents | 482 511 |
| | 10 306 467 |
| Total liabilities | |
| Trade creditors | 649 285 |
| Insurance liabilities | 2 505 336 |
| Deferred tax liability | 1 315 |
| | 3 155 936 |
| Net assets | 7 150 531 |

12 INVESTMENTS IN ASSOCIATES

12.1 Disposal of investment in an associate in the prior year

During December 2017, the Group disposed of 163 769 298 of its shares ("the Shares") held in GetBucks Microfinance Bank Limited ("GetBucks") for a total consideration of US\$5 453 518 ("the Transaction") to related parties as defined by the Johannesburg Stock Exchange ("the JSE") rules. Pending approval of the Transaction, the buyers advanced the Group the total consideration of US\$5 453 518 as a loan bearing interest at 9% per annum which was going to be settled through delivery of the Shares on approval of the Transaction by the Company's shareholders. The interest accrued was also going to be settled by a commensurate number of shares at a pre-agreed price of US\$0.0333 per share. The JSE listing rules prescribed that the Transaction be approved by the shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

12.1 Disposal of investment in an associate in the prior year (continued)

An extraordinary general meeting of shareholders of the Company was held on 4 May 2018 (“the Effective date”) and the requisite shareholder approvals to give effect to the Transaction were secured.

The disposal of the 163 769 298 shares resulted in the Group’s shareholding in GetBucks decreasing from 31.14 % to 16.14%. The Group concluded that the Transaction resulted in the loss of significant influence over GetBucks. As a result, the Group reclassified the remaining equity investment in GetBucks from investment in associates to financial assets at fair value through profit or loss with effect from the Effective Date.

The impact of the Transaction on the financial statements was as follows:

| | 2019 US\$ | 2018 US\$ |
|---|--------------|--------------|
| Balance as at the beginning of the year | - | 4 370 066 |
| Share of profit of associate | - | 512 289 |
| Dividends declared and paid | - | (149 836) |
| Equity accounted carrying amount of total investment before the Transaction | - | 4 732 519 |
| Disposal in terms of the Transaction (note 12.2) | - | (2 272 507) |
| Equity accounted carrying amount of remaining investment | - | 2 460 012 |
| Fair value gain on remeasurement of carrying amount of equity accounted investment to financial asset at fair value through profit or loss* | - | 4 082 299 |
| Transfer to financial assets at fair value through profit or loss (note 14) | - | (6 542 311) |
| Balance as at the end of the year | - | - |

* - included in “Other gains” in the statement of comprehensive income.

The fair value of the investment in GetBucks as at the date of disposal of the shares was determined based on the Zimbabwe Stock Exchange price.

As at 31 December 2019, the Group only held a 49% equity investment in Coporeti Support Services t/a “GetCash” whose carrying amount was fully impaired in 2018.

12.2 Profit from disposal of investment in associate

| | 2018 US\$ |
|---|------------------|
| Included in “Other gains” for the year ended 31 December 2018 is profit of US\$3 005 626 realised from the disposal of the equity investment in GetBucks as disclosed above. The profit has been determined as follows: | |
| Cash consideration received | 5 453 518 |
| Transaction costs | (175 385) |
| Net proceeds | 5 278 133 |
| Equity carrying amount of investment portion sold (note 12.1) | (2 272 507) |
| Profit from disposal of associate | 3 005 626 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

12.3 Commitments and contingent liabilities in respect of associate

| | 2019 US\$ | 2018 US\$ |
|---|--------------|--------------|
| Share of contingent liabilities incurred jointly of the associate relating to liabilities of the associate for which the Group is severally liable. | - | - |

On 11 July 2016 the Group, through Brainworks Capital Management (Private) Limited, agreed to act as a guarantor in respect of GetCash's US\$1 100 000 loan facility with a Zimbabwean based financial institution, through pledge of :

- a. 98 781 853 shares held in Dawn Properties Limited; and
- b. 6 395 474 shares held in African Sun Limited.

As at 31 December 2019, the outstanding amount due by GetCash to the financial institution was US\$29 237 (31 December 2018: US\$671 063). During the year ended 31 December 2019, the Group paid US\$17 238 (2018: US\$181 936) to the financial institution on the basis of the guarantee as GetCash had defaulted as the associate face some significant financial difficulties. The amounts paid were fully impaired both in the current and prior year. The Group anticipates that it would continue settling the monthly loan instalment as they fall due as there are no reasonable prospects of GetCash's financial condition improving in the foreseeable future. As a result, the Group recognised a provision for a financial guarantee liability for the full outstanding loan of US\$671 063 in the prior year, per note 20.1. This amount had decreased to US\$29 237 as a result of repayments that were effected in the prior year and the impact of translation of the amount to US\$ following currency pronouncements in Zimbabwe.

The total amounts expensed in the statement of comprehensive income in relation to the guarantee above and receivables from GetCash during the year were as follows:

| | 2019 US\$ | 2018 US\$ |
|---|--------------|--------------|
| Monthly loan instalment obligations paid | 17 238 | 181 936 |
| Outstanding loan principal amounts recognised as a Group loan obligations | 29 337 | 671 063 |

13 INTEREST IN A JOINT OPERATION

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

Summarised audited statement of financial position as at 31 December 2019

| | 2019 US\$ | 2018 US\$ |
|---|------------------|------------------|
| Summarised statement of comprehensive income | | |
| Revenue | 7 947 779 | 8 133 889 |
| Cost of sales | (1 234 126) | (1 904 970) |
| Gross profit | 6 713 653 | 6 228 919 |
| Operating expenses | (3 127 897) | (3 439 010) |
| Other income | 5 012 230 | 323 407 |
| Profit before income tax | 8 597 986 | 3 113 316 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

13 INTEREST IN A JOINT OPERATION (CONTINUED)

Summarised audited statement of financial position as at 31 December 2019 (continued)

| | 2019 US\$ | 2018 US\$ |
|----------------------------------|--------------------|--------------------|
| ASSETS | | |
| Non-current assets | | |
| Property and equipment | 2 503 997 | 2 252 555 |
| Right of use assets | 132 233 | - |
| | 2 636 230 | 2 252 555 |
| Current assets | | |
| Inventories | 225 614 | 421 793 |
| Trade and other receivables | 2 214 800 | 1 771 583 |
| Amounts due from related parties | 589 956 | 405 711 |
| Cash and cash equivalents | 1 272 770 | 1 319 444 |
| | 4 303 140 | 3 918 531 |
| Total assets | 6 939 370 | 6 171 086 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Lease liabilities | (21 929) | - |
| Current liabilities | | |
| Borrowings | (331 171) | - |
| Provision for other liabilities | (100 875) | (187 519) |
| Trade and other payables | (590 597) | (1 486 205) |
| | (1 022 643) | (1 673 724) |
| Total liabilities | (1 044 572) | (1 673 724) |
| Net assets | 5 894 798 | 4 497 362 |

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2018 US\$ |
|---|------------------|
| Balance at beginning of year | 3 139 091 |
| Purchases | - |
| Transfer from investment in associates (GetBucks ordinary shares) (note 12.1) | 6 542 311 |
| Fair value gains: | 979 561 |
| On treasury bills | - |
| On MyBucks ordinary shares | 979 561 |
| Disposals | (8 015 004) |
| Total sale of MyBucks ordinary shares | (4 645 497) |
| Sale of GetBucks shares after reclassification from investment in associate (14.2) | (3 369 507) |
| Maturity of treasury bills | (155 773) |
| GetBucks ordinary shares given up to settle interest on a loan post reclassification from investment in associate (note 14.1) | (269 646) |
| Derecognition of financial assets at fair value through profit or loss on disposal of subsidiary (note 11.2.2) | (2 220 540) |
| Balance at end of year | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

14.1 Settlement of interest through delivery of GetBucks ordinary shares

As disclosed in note 12.1, the Group had a commitment to settle interest accruing on a US\$5 453 518 ("the Loan). The total interest that accrued on the Loan amounted to US\$242 681. The interest was calculated up to 7 June 2018 which was the settlement date of the interest. The Group transferred 7 287 734 GetBucks shares at the pre-agreed price of US\$0.0333 per shares. The fair value price per share based on the Zimbabwe Stock Exchange price on settlement date was US\$0.037 per share. This resulted in the recognition of a loss of US\$26 965 in the prior year. The GetBucks ordinary shares given up to settle interest that accrued on the loan were derecognized at their aggregate fair value of US\$269 646.

14.2 Sale of GetBucks shares after reclassification from investment in associate

Subsequent to the reclassification of the investment in GetBucks shares from investment in associate to financial assets at fair value through profit or loss, the Group disposed of 91 067 769 shares to a third party ("the Buyer"). As consideration, the Buyer agreed to settle in full the Group's outstanding loan with GetBucks of US\$3 064 219. GetBucks consented to the arrangement and agreed that the Group had fully discharged the loan obligation. The fair value of the shares transferred, based on the ZSE quoted price of US\$0.037 per share was US\$3 369 507. This resulted in the recognition of loss on disposal of US\$305 288. The loss is included in "Other income" in the prior year.

15 DEFERRED TAX

| | 2019 US\$ | 2018 US\$ |
|---|---------------------|--------------------|
| 15.1 The net movement on the deferred tax account is as follows: | | |
| Net deferred tax liability as at 1 January | (7 936 175) | (7 501 419) |
| Charged to profit or loss (note 30.1) | (4 545 716) | (434 756) |
| Charged to other comprehensive income (note 3.2) | (13 902 204) | - |
| Net deferred tax liability as at 31 December | (26 384 095) | (7 936 175) |
| 15.2 Net deferred tax liability is derived as follows | | |
| Deferred tax assets (note 15.5) | 790 255 | 1 801 099 |
| Deferred tax liabilities (note 15.6) | (27 174 350) | (9 737 274) |
| | (26 384 095) | (7 936 175) |
| 15.3 Net deferred tax by jurisdiction | | |
| Zimbabwean tax jurisdiction | | |
| - Deferred tax assets | 790 255 | 1 801 099 |
| - Deferred tax liabilities | (27 172 832) | (9 736 334) |
| | (26 382 577) | (7 935 235) |
| South African tax jurisdiction | | |
| - Deferred tax assets | - | - |
| - Deferred tax liabilities | (1 518) | (940) |
| Deferred tax | (1 518) | (940) |
| Net deferred tax liabilities | (26 384 095) | (7 936 175) |
| 15.4 Recovery of deferred tax assets and liabilities | | |
| Deferred tax assets | | |
| -Deferred tax assets to be recovered within 12 months | 269 124 | 877 144 |
| -Deferred tax assets to be recovered after more than 12 months | 521 131 | 923 955 |
| | 790 255 | 1 801 099 |
| Deferred tax liabilities | | |
| -Deferred tax liabilities to be recovered within 12 months | (8 849 683) | (217 535) |
| -Deferred tax liabilities to be recovered after more than 12 months | (18 324 667) | (9 519 739) |
| | (27 174 350) | (9 737 274) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

15 DEFERRED TAX (CONTINUED)

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

15.5 Deferred tax assets

| | Property and equipment US\$ | Lease liabilities US\$ | Provisions US\$ | Allowance for expected credit losses US\$ | Assessable tax losses US\$ | Total US\$ |
|--|--------------------------------|---------------------------|--------------------|--|-------------------------------|------------------|
| Year ended 31 December 2018 | | | | | | |
| As at 1 January 2018 | 546 351 | - | 487 614 | - | 309 072 | 1 343 037 |
| Charged /(credited) to statement of comprehensive income | 377 603 | - | 371 578 | 17 953 | (309 072) | 458 062 |
| As at 31 December 2018 | 923 954 | - | 859 192 | 17 953 | - | 1 801 099 |
| Year ended 31 December 2019 | | | | | | |
| As at 1 January 2019 | 923 954 | - | 859 192 | 17 953 | - | 1 801 099 |
| (Credited)/charged to statement of comprehensive income | (923 954) | 521 131 | (831 708) | 223 687 | - | (1 010 844) |
| As at 31 December 2019 | - | 521 131 | 27 484 | 241 640 | - | 790 255 |

15.6 Deferred tax liabilities

| | Property and equipment US\$ | Right of use assets US\$ | Fair value gains US\$ | Assessable tax losses US\$ | Other US\$ | Total US\$ |
|---|--------------------------------|-----------------------------|--------------------------|-------------------------------|------------------|---------------------|
| Year ended 31 December 2018 | | | | | | |
| As at 1 January 2018 | (4 094 660) | - | (4 298 517) | 1 750 | (453 029) | (8 844 456) |
| Charged to statement of comprehensive income | (418 966) | - | (266 699) | - | (207 153) | (892 818) |
| As at 31 December 2018 | (4 513 626) | - | (4 565 216) | 1 750 | (660 182) | (9 737 274) |
| Year ended 31 December 2019 | | | | | | |
| As at 1 January 2019 | (4 513 626) | - | 4 565 216 | 1 750 | (660 182) | (9 737 274) |
| (Charged)/credited to statement of comprehensive income | (1 659 420) | (3 204 706) | (411 647) | (1 091) | 1 741 992 | (3 534 872) |
| Charged to other comprehensive income | (13 902 204) | - | - | - | - | (13 902 204) |
| As at 31 December 2019 | (20 075 250) | (3 204 706) | (4 976 863) | 659 | 1 081 810 | (27 174 350) |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

16 INVENTORIES

| | 2019 US\$ | 2018 US\$ |
|---|------------------|------------------|
| Food and beverage | 2 304 290 | 1 541 451 |
| Shop merchandise | 19 956 | 46 154 |
| Consumable stocks | 1 206 813 | 832 570 |
| Maintenance stocks | 523 389 | 623 112 |
| Property under construction (note 16.1) | - | - |
| Property inventory (note 16.2) | - | 2 269 438 |
| Construction inventories | 2 613 | 31 033 |
| Stationery and other office consumables | 100 799 | 18 707 |
| | 4 157 860 | 5 362 465 |

The cost of inventories recognised as expenses and included in cost of sales amounted to US\$3 989 215 (2018: US\$7 223 362). There were no items of inventory impaired during the year (2018: US\$nil).

16.1 Property under construction

| | | |
|---|---|-------------|
| Balance at the beginning of the year | - | 4 936 186 |
| Additional construction costs incurred | - | 1 374 154 |
| Borrowing costs capitalised | - | 139 173 |
| Construction expenses incurred | - | 6 449 513 |
| Total costs transferred to property inventory on completion of development* | - | (6 449 513) |
| | - | - |

* The transfer in the prior year relates to 58 housing units that were being developed in Harare, Zimbabwe with a view to sell as inventory, following completion of the construction process in November 2018.

16.2 Property inventory

| | | |
|---|------------------|------------------|
| Balance at the beginning of the year | 2 269 438 | - |
| Additional costs incurred | 18 847 | - |
| Transfer from property under construction (note 16.1) | - | 6 449 513 |
| Effect of translation of foreign operations on opening balances | (1 040 171) | - |
| Costs in respect of properties sold (cost of sales) | - | (4 180 075) |
| Reclassification to investment property # | (1 248 114) | - |
| Balance at the end of the year | - | 2 269 438 |

- Due to the depressed economic environment, the Group decided to terminate active marketing of the remaining 22 residential units that had been developed by Dawn Properties Limited in the prior years, with a view to sell. The Group decided to hold the remaining units for capital appreciation in the interim, and only sell in the future when the economic conditions in Zimbabwe improve. These residential units had been previously been accounted for as inventory.

17 TRADE AND OTHER RECEIVABLES

| | 2019 US\$ | 2018 US\$ |
|--|------------------|-------------------|
| Trade receivables | 3 891 861 | 6 338 396 |
| Allowance for expected credit losses (note 17.2) | (1 011 145) | (1 637 750) |
| | 2 880 716 | 4 700 646 |
| Other receivables at armotised cost | | |
| Other receivables | 492 799 | 1 448 986 |
| Prepayments | 3 552 720 | 4 662 090 |
| Staff receivables | 111 310 | 661 480 |
| Receivables from related parties | 34 114 | 369 349 |
| Other non-current assets | 1 503 317 | 227 995 |
| | 5 694 260 | 7 369 900 |
| Allowance for expected credit losses (note 17.2) | (74 636) | (1 139 712) |
| | 5 619 624 | 6 230 188 |
| | 8 500 340 | 10 930 834 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

17.1 Analysis of trade and other non current assets

| | 2019 US\$ | 2018 US\$ |
|-------------------------------------|------------------|-------------------|
| Current trade and other receivables | 6 997 023 | 8 017 065 |
| Other non-current assets | 1 503 317 | 2 913 769 |
| | 8 500 340 | 10 930 834 |

Included in the non-current assets of US\$1.5million is a prepayment of US\$1.2million (2018: US\$2.2million made with respect to the acquisition of two pieces of land from City of Harare, measuring approximately 2.2 hectares. After having experienced regulatory challenges in securing permission to transfer one of the two pieces of land.

The Group initiated legal proceedings against the City of Harare, at the High Court, to compel the City of Harare to perform. The High Court ruled in favour of the Group and gave the Group right to legal title to the two pieces of land. The process to transfer legal title to the Group had not yet been completed as at the reporting date and as at the same date, the Group concluded that it did not yet have control over the two pieces of land notwithstanding the presence of the High Court Order. The Group thus continues to classify this prepayment as non-current.

The decrease of in the value of the prepayment from US\$2.2million to US\$1.2million was due to the impact of IAS 29 and translation of the initial prepayment amount based on an exchange rate. The prior year amount has been accounted for on the basis of parity between the ZWL and the US\$.

Included in non-current receivables are staff receivables in the form of car and housing loans which are all due within five years from the end of the reporting period. These loans, which are ZWL denominated, bear interest at an average interest rate of 35% per annum (2018: 10%) and are secured by the houses and the vehicles that would have been financed. These loans are advanced to staff in terms of the Group's staff incentive and retention schemes.

The fair value of the staff receivables (both current and non-current) is based on cashflows discounted using a market related interest rate of 20% (2018: 10%).

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

| | 2019 US\$ | 2018 US\$ |
|---------------------------------|------------------|-------------------|
| United States of America dollar | 634 652 | 10 930 834 |
| Zimbabwe dollar | 7 713 734 | - |
| South African rand | 151 954 | - |
| | 8 500 340 | 10 930 834 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

17.2 Movements in the Group's allowance for expected credit losses of trade receivables and other financial assets at amortised cost is as follows:

| | 2019 US\$ | 2018 US\$ |
|---|------------------|------------------|
| As at 1 January | 2 777 462 | 1 391 135 |
| Restatement as a result of adoption of IFRS 9 | - | 1 071 066 |
| Restated balance as at 1 January 2019 | 2 777 462 | 2 462 201 |
| Charge to the statement of comprehensive income | (145 968) | 372 604 |
| Recognition of allowance for expected credit losses for the year | (145 968) | 413 393 |
| Reversal of allowance for expected credit losses on amounts previously provided for but now recovered | - | (40 789) |
| Impact of translation of foreign operations on opening balances | (1 530 400) | - |
| Receivables written off during the period as uncollectible | (15 313) | (57 343) |
| As at 31 December | 1 085 781 | 2 777 462 |
| Total allowances for expected credit losses are attributable to the following: | | |
| Trade receivables | 1 011 145 | 1 637 750 |
| Other financial assets at amortised cost | 74 636 | 1 139 712 |
| | 1 085 781 | 2 777 462 |

Amounts charged to the allowance account are written off when there is no expectation of recovery.

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. As at the reporting date, no debtors had been pledged in respect of the Group's liabilities (2018:nil).

18 CASH AND CASH EQUIVALENTS

| | 2019 US\$ | 2018 US\$ |
|---|-------------------|-------------------|
| Current assets | | |
| Cash on hand | 97 769 | 284 378 |
| Bank balances | 12 383 969 | 16 078 301 |
| | 12 481 738 | 16 362 679 |
| Cash and bank balances were held in the following primary currencies: | | |
| United States of America dollar | 8 650 852 | 4 915 160 |
| Zimbabwe dollars | 1 616 700 | 9 657 354 |
| South African rand | 2 023 904 | 1 783 262 |
| Euro | 190 227 | 6 848 |
| Australian dollars | 55 | 55 |
| | 12 481 738 | 16 362 679 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

19 BORROWINGS

| | Note | 2019 US\$ | 2018 US\$ |
|---|--------|-------------------|-------------------|
| Reconciliation of opening to closing balance | | | |
| Balance at the beginning of the year | | 17 066 606 | 38 324 028 |
| Additional borrowings accessed | | 1 789 879 | 208 416 |
| Interest expense for the year (note 29.2) | | 1 208 824 | 3 272 000 |
| Recognition of loan on disposal of GetSure | | - | 139 177 |
| Interest paid | | (1 379 623) | (2 950 919) |
| In cash | | (683 654) | (2 708 238) |
| In lieu of cash from sale of financial assets (note 14.1) | | - | (242 681) |
| Through delivery of equity instruments (notes 22.3 and 22.4) | | (695 969) | - |
| Principal repaid | | (10 542 845) | (21 842 885) |
| In cash | | (6 231 057) | (11 716 705) |
| In lieu of cash from sale of financial assets (notes 14.1 and 14.2) | | - | (8 517 737) |
| Through delivery of equity instruments (note 22.3 and 22.4) | | (4 311 788) | (1 608 443) |
| Foreign exchange gains | | (72 504) | - |
| Effects of translation of foreign operations on opening balances | | (7 614 653) | (83 211) |
| Balance at the end of the year | | 455 684 | 17 066 606 |
| Facilities | | | |
| Bank loans | | 378 897 | 9 326 901 |
| Private financier loans | | - | 4 598 935 |
| Amounts due to related parties | | 76 787 | 3 140 770 |
| Total | | 455 684 | 17 066 606 |
| Current | | 316 081 | 12 892 525 |
| Non-current | | 139 603 | 4 174 081 |
| | | 455 684 | 17 066 606 |
| 19.1 Analysis of facilities by funder | | | |
| Bank loans | | | |
| CBZ Bank Limited | 19.1.1 | 5 531 | 136 243 |
| FBC Bank Limited | 19.1.2 | - | 4 232 280 |
| Ecobank Zimbabwe Limited | 19.1.3 | 16 350 | 2 036 310 |
| NMB Bank Limited | 19.1.4 | 357 016 | 2 922 068 |
| | | 378 897 | 9 326 901 |
| Private financier loans | | | |
| Comarton Group of Pension Funds | | - | 451 267 |
| Ever Prosperous Worldwide Limited | | - | 4 147 668 |
| Other lenders | | - | - |
| | | - | 4 598 935 |
| Related parties | | | |
| Other related parties | 19.1.5 | 76 787 | 3 140 770 |
| | | 76 787 | 3 140 770 |
| | | 455 684 | 17 066 606 |

The fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature

19.1.1 CBZ Bank Limited

Dawn Properties Limited has an outstanding mortgage loan with CBZ Bank Limited which arose from a five year mortgage loan. The loan which bears interest at 25% (2018 - 9%) per annum, is secured by a first mortgage bond over a certain piece of land located in Harare. The mortgage loan is repayable up to 31 August 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

19 BORROWINGS (CONTINUED)

19.1.2 FBC Bank Limited

African Sun Zimbabwe (Private) Limited, a subsidiary of African Sun Limited ("African Sun") had three loan facilities with FBC Bank Limited which all attracted interest at 7.5% per annum (2018: 7.5%). The loans were secured through unlimited guarantees by African Sun and Arden Capital (Private) Limited ("formerly Brainworks Capital Management (Private) Limited") and freehold property. The loans, which had contractual maturity dates ranging between 31 July 2020 and 31 August 2022, were all repaid during the year as part of excess liquidity management measures.

19.1.3 Ecobank Zimbabwe Limited

The Ecobank Zimbabwe Limited loan which is held by Arden Capital (Private) Limited (formerly Brainworks Capital Management (Private) Limited), attracts interest at 8% (2018: 8%) per annum and is secured by 360 900 000 Dawn Property Limited shares and 146 299 461 African Sun Limited shares. The loan mature on 31 August 2020.

19.1.4 NMB Bank Limited

The NMB Bank Limited loan, which is held by Dawn Properties Limited arose from a five year US\$5 million facility with NMB Bank Limited. The outstanding loan bears interest at 25% (2018: 9%) per annum and is secured by first mortgage bonds over the Beitbridge Hotel and the Great Zimbabwe Hotel whose aggregate value was US\$7.8 million as at the reporting date. The loan matures on 31 December 2022.

19.1.5 Related parties

Due from Red Rock Limited and Blue Air Limited

The amounts outstanding are due to Red Rock Capital Limited and Blue Air Capital Limited ("the Lenders"). The loans are unsecured, bear interest rate based on the 12 months US LIBOR+ 5%.

The Lenders are shareholders in the Company.

20 TRADE AND OTHER PAYABLES

| | 2019 US\$ | 2018 US\$ |
|---|-------------------|-------------------|
| Trade payables | 5 562 904 | 5 807 652 |
| Amounts due to related parties | - | 47 102 |
| Payroll accruals | 941 564 | 1 042 407 |
| Other payables | 3 064 191 | 5 287 404 |
| Liabilities related to contracts with customers (note 20.1) | 1 241 068 | 3 654 173 |
| Statutory liabilities | 854 755 | 4 420 137 |
| | 11 664 482 | 20 258 875 |
| Category | | |
| Current | 11 664 482 | 20 258 875 |
| Non - current | - | - |
| | 11 664 482 | 20 258 875 |

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

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

20.1 Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

| | 2019 US\$ | 2018 US\$ |
|--|------------------|------------------|
| Balance as at 1 January | 3 654 173 | 3 805 088 |
| Revenue recognised in in the current year that was included in the contract liability at the beginning of the year | (1 219 893) | (3 805 088) |
| Contract liability recognised during the year | 1 190 896 | 3 654 173 |
| Impact of translation of foreign operations on opening balances | (2 384 108) | - |
| Contract liability at 31 December | 1 241 068 | 3 654 173 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

21 PROVISIONS

| | 2019 US\$ | 2018 US\$ |
|------------|--------------|--------------|
| Provisions | 1 216 919 | 5 518 631 |

Provisions previously presented under trade and other payables, have been presented separately to align the disclosures on the statement of financial position to financial risk management disclosures. The impact of the change in the presentation of trade other payables and provisions did not change the reported current liabilities for prior years and the presentation of the change as at the 31 December 2017 is:

| | 2017 US\$ |
|--|-------------------|
| Trade and other payables | 18 765 377 |
| Provisions | 1 364 773 |
| Trade and other payables as previously reported | 20 130 150 |

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

The provisions balance is made up of the following:

| | Balance as at 1 January 2019 US\$ | Additional provisions US\$ | Impact of translation of foreign operations US\$ | Utilised/ reversed provisions US\$ | Balance as at 31 December 2019 US\$ |
|---|--|----------------------------------|--|---|---|
| Year ended 31 December 2019 | | | | | |
| Contractual claims | 364 467 | 344 031 | (342 739) | - | 365 759 |
| Claims from former employees | 835 787 | - | (785 959) | - | 49 828 |
| Audit of foreign operations | 100 000 | 94 393 | (94 038) | - | 100 355 |
| Associate company loan guarantee provision (note 12.3) | 671 063 | 17 238 | (658 964) | - | 29 337 |
| Provision for tax liabilities | 1 728 962 | - | (1 625 884) | - | 103 078 |
| Other | 65 606 | - | - | (37 044) | 28 562 |
| | 3 765 885 | 455 662 | (3 507 584) | (37 044) | 676 919 |
| Staff incentive bonus provision (part of staff incentive scheme expense on note 26) | 1 752 746 | 540 000 | - | (1 752 746) | 540 000 |
| | 5 518 631 | 995 662 | (3 507 584) | (1 789 790) | 1 216 919 |
| Year ended 31 December 2018 | | | | | |
| Contractual claims | 364 467 | - | - | - | 364 467 |
| Claims from former employees | 835 787 | - | - | - | 835 787 |
| Audit of foreign operations | 100 000 | - | - | - | 100 000 |
| Associate company loan guarantee provision (note 12.3) | - | 671 063 | - | - | 671 063 |
| Provision for tax liabilities | - | 1 728 962 | - | - | 1 728 962 |
| Other | 64 519 | 1 087 | - | - | 65 606 |
| | 1 364 773 | 2 401 112 | - | - | 3 765 885 |
| Staff incentive bonus provision (part of staff incentive scheme expense on note 26) | - | 1 752 746 | - | - | 1 752 746 |
| | 1 364 773 | 4 153 858 | - | - | 5 518 631 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

21 PROVISIONS (CONTINUED)

(a) Contractual claims

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

(b) Claims from former employees

The Victoria Falls Hotel Partnership, in which the African Sun Limited has 50% joint control, is a defendant in a legal case involving 69 dismissed employees. The employees were dismissed following their involvement in an illegal industrial action. They have since challenged the dismissal through the courts.

(c) Audit of foreign operations

This provision relates to audit costs of dormant companies in South Africa and the exit of Ghana operations. This provision is related to African Sun Limited operations.

(d) Staff incentive bonus provision

This represents the estimated amounts payable in terms of the Group's staff incentive schemes.

(e) Provision for tax liabilities

This arises from tax claims against Arden Capital (Private) Limited (formerly Brainworks Capital Management (Private) Limited). Refer to note 33.1 for further disclosures.

(f) Loan guarantee liability provision

Refer to note 12.3 for further disclosures on this provision.

22 SHARE CAPITAL

22.1 Issued and paid up share capital

| | Number of shares | Stated capital US\$ |
|--|--------------------|---------------------|
| Year ended 31 December 2018 | | |
| At the beginning of the year | 75 625 639 | 55 785 508 |
| Issue of shares for cash (**) | 10 000 000 | 4 553 415 |
| Derecognition of treasury shares (note 22.4) | 2 905 556 | 2 750 000 |
| Balance as at 31 December 2018 | 88 531 195 | 63 088 923 |
| Year ended 31 December 2019 | | |
| At the beginning of the year | 88 531 195 | 63 088 923 |
| Issue of shares | 20 960 328 | 10 074 331 |
| Issue of shares for cash (note 22.2) | 9 427 476 | 4 017 959 |
| Issue of shares as consideration for loan settlement (note 22.3) | 11 532 852 | 6 056 372 |
| Balance as at 31 December 2019 | 109 491 523 | 73 163 254 |

** During October 2018, the Company issued 10 000 000 new ordinary shares for cash proceeds of US\$4 553 415 to a new shareholder. These shares were erroneously reported as 10 046 350 in the prior year financial statements.

22.2 Issue of shares for cash

This arose from a rights issue that was carried out by the Company during the year, as a consequence of which US\$4 056 573 was raised and shares amounting to 9 427 476 issued on 20 September 2019. Directly attributable transaction costs amounted to US\$38 614 were deducted against the gross proceeds, resulting in US\$4 017 959 recognised in equity.

22.3 Issue of shares as consideration for loan settlement

At an extraordinary general meeting of the shareholders of the Company held on 4 of November 2019, the shareholders approved the issue of 11 532 852 ordinary shares of the Company as consideration for the full and final settlement of loans amounting to US\$5 007 757 comprising capital of US\$4 311 798 and accrual interest of US\$695 959 which were due to certain related parties as defined by the JSE Listings Requirements. The shares were subsequently issued between the 7 and 11 November 2019.

The fair value of the shares issued was based on the listed price thereof on the relevant dates amounted to US\$6 140 280. However, based on the agreement between the related parties and the Company, the shares were issued at a discounted price of ZAR6.50 per share. This resulted in the recognition of a loss of US\$1 132 523 which has been accounted for as part of the finance costs for the year.

Directly attributable costs of US\$83 908 were deducted against the US\$6 140 280 resulting in a net credit to equity of US\$6 056 372.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

22 SHARE CAPITAL (CONTINUED)

22.4 Treasury shares

The Company holds 7 775 000 shares as treasury shares by virtue of the fact that these are held by its subsidiary - Arden Capital (Private) Limited.

The treasury shares arose from a 2015 Group re-organisation exercise which culminated in Arden Capital Limited (formerly Brainworks Capital Management (Private) Limited) being the ultimate holding company, owning all the shares in Arden Capital (Private) Limited. Arden Capital (Private) Limited had hitherto been the holding company, holding all the issued shares of the Company. To achieve the Group re-organisation, the shareholders of Arden Capital (Private) Limited gave up their shares in Arden Capital (Private) Limited to the Company as consideration, for which in return they received an equivalent number of shares with the same rights in the Company.

At the time of the Group re-organisation, Arden Capital (Private) Limited had 7 775 000 of its own ordinary shares held as treasury shares, which shares were given up to the Company. As consideration, Arden Capital (Private) Limited was issued with 7 775 000 ordinary shares of Arden Capital Limited, which shares Arden Capital (Private) Limited holds through a nominee.

2 905 556 of the total treasury shares that existed at the beginning of 2018 were disposed of to parties outside the Group for US\$2 615 000 in April 2018, resulting in the recognition of a loss of US\$135 000, which was recognized directly in equity. US\$1 006 557 of the total proceeds were received in cash, whilst the balance was used to settle loan that was held by FML Logistics (Private) Limited of US\$1 608 443. The 2 905 556 shares were therefore derecognized as treasury shares with effect from the same date. For earnings per share calculation purposes, these shares were deemed to have been outstanding for only eight months.

22.5 Rights attaching to the issued shares

All issued shares are fully paid with no par value.

All shares rank equally with regard to the Company's residual assets and dividends. The holders of ordinary shares are entitled to one vote per share at meetings of the Company. In terms of the shareholders' resolution which is renewable annually, the Directors are authorised to issue for cash new shares not more than 15% of the issued shares of the Company.

23 EARNINGS PER SHARE

| | 2019 US\$ | 2018 US\$ |
|--|-------------------|--------------------|
| 23.1 Basic earnings per share: cents | 12.86 | 6.18 |
| 23.2 Diluted earnings per share: cents | 12.86 | 6.18 |
| 23.3 Headline earnings/(loss) per share: cents | 3.11 | (3.14) |
| 23.4 Diluted headline earnings/(loss) per share | 3.11 | (3.14) |
| 23.5 Reconciliations of earnings used in calculating earnings per share | | |
| Basic earnings attributable to owners of parent | 13 088 679 | 4 951 126 |
| Loss from disposal of subsidiary (note 27) | - | 947 341 |
| Fair value gain on reclassification of investment in associate to financial assets held at fair value through profit or loss (note 27) | - | (4 082 299) |
| Profit from disposal of investment in associate (note 27) | - | (3 005 626) |
| Fair value gain on investment property (note 27) | (13 256 442) | (949 580) |
| Loss/(profit) from disposal of property and equipment (note 28) | 21 119 | (890 860) |
| Net-non monetary gain (note 28) | (7 389 965) | |
| Loss from disposal of investment property | - | 5 000 |
| Loss arising from settlement of financial liabilities through equity instruments (note 22.3) | 1 132 523 | - |
| Exchange loss on foreign currency denominated intra-group liabilities | 8 433 440 | - |
| Tax effect of headline earnings adjustments | 1 192 246 | 244 517 |
| Total non-controlling effect of adjustments | (57 276) | 267 324 |
| Headline earnings/(loss) attributable to owners of the parent | 3 164 324 | (2 513 057) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

23 EARNINGS PER SHARE (CONTINUED)

23.6 Weighted average number of shares used as the denominator

| | 2019 Number | 2018 Number |
|---|--------------------|-------------------|
| Shares in issue at the beginning of the year | 88 531 195 | 75 625 640 |
| Issue of shares for cash (note 22.2) | 5 218 401 | 2 500 000 |
| Issue of shares as consideration for loan settlement (note 22.3) | 8 008 334 | - |
| Derecognition of treasury shares (note 22.4) | - | 1 937 037 |
| | 101 757 930 | 80 062 677 |
| Weighted average number of shares in issue for basic earnings per share | 101 757 930 | 80 062 677 |
| Weighted average number of shares in issue for diluted earnings per share | 101 757 930 | 80 062 677 |
| Number of shares in issue | 109 491 523 | 88 531 195 |

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 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 2019 and 31 December 2018, there were no potentially dilutive share options or other potentially dilutive financial instruments.

| | 2019 US\$ | 2018 US\$ |
|--|-------------------|-------------------|
| 23.7 Net asset value per share (cents) | | |
| Net assets excluding non-controlling interests | 70 931 484 | 63 067 655 |
| Number of ordinary shares | 109 491 523 | 88 531 195 |
| Net asset value per share | 64.78 | 71.24 |
| 23.8 Net tangible asset value per share (cents) | | |
| Net tangible assets | 52 921 632 | 53 005 506 |
| Number of ordinary shares | 109 491 523 | 88 531 195 |
| Net tangible asset value per share | 48.33 | 59.87 |
| Reconciliation of net asset to net tangible asset value | | |
| Net assets excluding non-controlling interests | 70 931 484 | 63 067 655 |
| Non-tangible assets | (18 009 852) | (10 062 149) |
| Goodwill | (4 241 093) | (8 261 050) |
| Deferred tax asset | (790 255) | (1 801 099) |
| Right-of-use assets | (12 978 504) | - |
| Net tangible assets value | 52 921 632 | 53 005 506 |

Net asset value per share

Net asset value is the value of the total assets (non-current assets plus current assets) minus total liabilities (non-current liabilities plus current liabilities). Assets include financial assets and liabilities include financial liabilities. The net asset value per share is derived by dividing the net asset value by the number of shares in issue, excluding treasury shares.

Net tangible asset value per share

Net tangible asset value is the net asset value less the value of goodwill and other intangible assets. The net tangible asset value per share is derived by dividing the net asset value by the number of shares in issue, excluding treasury shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

24 NON-CONTROLLING INTEREST

The following table summarises the information relating to each of the Group's subsidiaries that have material non-controlling interests ("NCI") before any inter-company eliminations:

| | 31 December 2019 | | | 31 December 2018 | | |
|--|-------------------|----------------------|--------------------|--------------------|----------------------|--------------------|
| | African Sun US\$ | Dawn Properties US\$ | Total US\$ | African Sun US\$ | Dawn Properties US\$ | Total US\$ |
| Summarised statement of financial position | | | | | | |
| Current assets | 15 755 052 | 1 028 758 | 16 783 810 | 17 293 408 | 6 473 341 | 23 766 749 |
| Current liabilities | (11 766 963) | (487,016) | (12 253 979) | (21 446 000) | (3 544 742) | (24 990 742) |
| Current net assets | 3 988 089 | 541 742 | 4 529 831 | (4 152 592) | 2 928 599 | (1 223 993) |
| Non-current assets | 47 114 112 | 89 785 973 | 136 900 085 | 31 085 310 | 94 100 765 | 125 186 075 |
| Non-current liabilities | (11 714 151) | (5 231 263) | (16 945 414) | (7 243 695) | (6 226 764) | (13 470 459) |
| Non current net assets | 35 399 961 | 84 554 710 | 119 954 671 | 23 841 615 | 87 874 001 | 111 715 616 |
| Net assets | 39 388 050 | 85 096 452 | 124 484 502 | 19 689 023 | 90 802 600 | 110 491 623 |
| Accumulated NCI | 17 988 325 | 28 249 312 | 46 237 637 | 8 778 208 | 29 898 820 | 38 677 028 |

Refer to note 12.1 for additional key financial information relating to Dawn Properties Limited and African Sun Limited.

25 LIFE ASSURANCE EXPENSES AND CLAIMS

| | 2019 US\$ | 2018 US\$ |
|---|-----------|----------------|
| 25.1 Insurance and investment contracts acquisition costs | | |
| Insurance contracts acquisition costs incurred and expensed in the year | - | 121 084 |
| 25.2 Insurance claims and loss adjustment expenses | | |
| Gross current year claims and loss adjustment expenses | - | 209 439 |
| Reinsurance portion on current year claims and loss adjustment expenses | - | - |
| Additional cost for prior year claims | - | - |
| Increase in the expected cost of claims for unexpired risks | - | 530 548 |
| | - | 861 071 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

26 OPERATING EXPENSES

| | 2019 US\$ | 2018 US\$ |
|---|-------------------|-------------------|
| Staff costs | 7 763 567 | 12 023 117 |
| Staff incentive scheme costs | 1 352 327 | 1 916 606 |
| Pension and social security costs | 167 720 | 712 731 |
| Retrenchment and separation costs | 97 989 | 70 211 |
| Staff training | 305 794 | 323 147 |
| Tax penalty provisions | - | 1 728 962 |
| Short term, low value and variable lease expenses | 2 491 348 | - |
| Operating lease expenses - offices | - | 148 986 |
| Operating lease expenses - hotels | - | 3 634 033 |
| Directors fees | 509 215 | 475 447 |
| Audit fees | 527 714 | 439 204 |
| Legal fees | 217 514 | 198 251 |
| Depreciation on property and equipment | 4 719 657 | 4 241 909 |
| Depreciation on right of use assets | 231 909 | - |
| Amortisation of intangible assets | - | 22 097 |
| Repairs and maintenance costs | 1 673 479 | 2 850 709 |
| Vehicle running and maintenance costs | 401 499 | 531 418 |
| Insurance costs | 601 665 | 735 895 |
| Electricity rates and water | 1 901 850 | 3 363 471 |
| Other hotel running costs | 1 778 886 | 1 659 492 |
| Sales and marketing costs | 1 943 392 | 2 348 199 |
| Listing expenses | 142 490 | 84 311 |
| Consulting costs | 244 233 | 521 566 |
| Franchising fees | - | 1 026 356 |
| Travel | 566 683 | 66 374 |
| Trade and other receivables written off | - | 396 066 |
| Equipment written off | 567 833 | - |
| Increase in other provisions charged to statement of comprehensive income (note 21) | 455 662 | 2 401 112 |
| Security costs | 350 991 | 896 190 |
| Management fees | 351 297 | 2 718 792 |
| Royalties | 967 046 | 1 026 356 |
| Transaction tax | 597 515 | - |
| Other costs | 311 130 | 965 082 |
| | 31 240 405 | 47 526 090 |

26.1 Distribution of operating expenses across the Group companies

Administration costs are distributed as follows amongst all companies in the Group: African Sun Limited 85% (2018: 74%), Arden Capital (Private) Limited 2% (2018: 10%), Dawn Properties Limited 6% (2018: 8%), FML Logistics (Private) Limited 4% (2018: 3%), GetSure Life Assurance (Private) Limited nil (2018: 1%) and Arden Capital Limited 3% (2018: 4%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

27 OTHER GAINS

| | 2019 US\$ | 2018 US\$ |
|---|-------------------|------------------|
| Fair value adjustment on investment property (note 9.3) | 13 256 442 | 949 580 |
| Fair value gain on remeasurement of investment in associate (note 12.1) | - | 4 082 299 |
| Loss from disposal of subsidiary (note 11.2.1) | - | (947 341) |
| Profit from disposal of associate (note 12.2) | - | 3 005 626 |
| Loss from disposal of financial assets at fair value through profit or loss | - | (813 380) |
| | 13 256 442 | 6 276 784 |

28 SUNDRY INCOME

| | | |
|---|------------------|------------------|
| Net foreign exchange losses | (2 033 543) | - |
| Net non-monetary gain | 7 389 965 | - |
| (Loss)/profit from disposal of property and equipment | (21 119) | 890 860 |
| RBZ export incentive | 345 672 | 2 967 997 |
| Other income | 696 345 | 783 355 |
| | 6 377 320 | 4 642 212 |

29 FINANCE COSTS AND INCOME

29.1 Finance income

| | | |
|------------------------------------|---------------|----------------|
| Interest income on bank deposits | - | 12 285 |
| Interest on short term investments | 84 129 | 102 218 |
| | 84 129 | 114 503 |

29.2 Finance costs

| | | |
|--|--------------------|--------------------|
| Interest costs on borrowings | (1 208 824) | (3 272 000) |
| Interest cost on lease liabilities | (514 442) | - |
| Loss arising from settlement of a financial liability through equity instruments (note 22.3) | (1 132 523) | - |
| | (2 855 789) | (3 272 000) |

Net finance costs for the year

| | | |
|--|--------------------|--------------------|
| | (2 771 660) | (3 157 497) |
|--|--------------------|--------------------|

30 INCOME TAX

The Company is subject to income tax in Mauritius under the Income Tax Act 1995 at the rate of 15% (2018: 15%). However, it is entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and 80% of the Mauritian tax on its foreign source income. The maximum effective tax rate is thus reduced to 3%. Unused tax losses carried forward are available to set-off against future income derived in the following 5 income years. The time limit of 5 years shall not apply for the carry forward of any amount of loss that is attributable to annual allowance claimed in respect of capital expenditure.

The applicable tax rates in the different countries for the year were; South Africa 28% (2018: 28%), Zimbabwe 25.75% (2018: 25.75%) and Mauritius 15% (2018: 15%).

30.1 Income tax expense

| | | |
|---------------------|-------------------|------------------|
| Current year charge | 5 729 602 | 4 332 489 |
| Deferred tax | 4 545 716 | 434 756 |
| | 10 275 318 | 4 767 245 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

30 INCOME TAX (CONTINUED)

30.1 Income tax expense (continued)

A reconciliation of the income tax expense based on accounting profit and the actual income tax expense is as follows:

| | 2019 US\$ | 2018 US\$ |
|--|-------------------|-------------------|
| Profit before income tax | 31 487 730 | 15 181 694 |
| Tax at applicable rates | 19 605 143 | 4 428 943 |
| Non-taxable income - RBZ export incentive income | (89 011) | (254 046) |
| Impairment allowances and losses | (127 356) | 56 307 |
| Fair value gains from investment property | (7 895 436) | (541 785) |
| Other non-taxable income | (52 835) | - |
| Movements in provisions | 456 459 | - |
| Unrealised exchange losses | 1 705 430 | - |
| Finance costs on lease liabilities | 131 105 | - |
| Loss from disposal of property and equipment | 17 391 | 6 533 |
| Fines and penalties | - | (9 409) |
| Tax losses on whom no deferred tax asset was recognised | 35 249 | 718 542 |
| Intermediary transaction tax | 146 340 | - |
| Net non-monetary gains | (1 910 581) | - |
| Impact of translation of foreign operations on opening deferred tax balances | (3 928 642) | - |
| Other non deductible items | 2 182 062 | 362 160 |
| | 10 275 318 | 4 767 245 |

30.2 Income tax liabilities

Reconciliation of opening to closing income tax liability for the year

| | | |
|---|----------------|------------------|
| Balance as at the beginning of the year | 570 703 | 1 030 695 |
| Current year income tax expense (note 30.1) | 5 729 602 | 4 332 489 |
| Income tax paid | (3 050 317) | (4 439 338) |
| Withholding taxes offset against current income tax liability | - | (69 897) |
| Adjustments to previously recognised amounts | - | (283 246) |
| Tax losses utilised | (55 305) | - |
| Effect of translation of foreign operations on opening income tax liabilities | (2 390 751) | - |
| Balance as at the end of the year | 803 932 | 570 703 |

Current income tax liabilities are further analysed by jurisdiction as follows:

| | | |
|--|----------------|----------------|
| Payable to Zimbabwe Revenue Authority ("ZIMRA") | 711 758 | 549 291 |
| Payable to South African Revenue Services ("SARS") | 73 320 | 2 558 |
| Payable to Mauritius Revenue Services ("MRA") | 18 854 | 18 854 |
| | 803 932 | 570 703 |

31 CAPITAL COMMITMENTS

| | | |
|-----------------------------------|-------------------|-------------------|
| Authorised and contracted for | 2 750 431 | 194 664 |
| Authorised and not contracted for | 25 000 000 | 16 760 061 |
| | 27 750 431 | 16 954 725 |

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

32 RELATED PARTY TRANSACTIONS

32.1 Directors and key management remuneration

Key management includes both executive and non-executive directors of the Company and all the subsidiaries as well as members of the Executive Committee ("EXCO"). The EXCO at the subsidiary level includes all the executive directors and other senior executives who in the opinion of the executive directors at that level are considered as being key management. At the holding company level, the EXCO comprises the Chief Executive Officer, the Chief Finance Officer and the Group Head of Legal and Compliance.

The compensation paid or payable to key management for employee and director services by the Group is as shown below:

| | 2019 US\$ | 2018 US\$ |
|---|------------------|------------------|
| Short term employee benefits | 850 185 | 2 437 975 |
| Post employment benefits | - | - |
| Total Group non-executive directors' fees | 509 215 | 475 447 |
| | 1 359 400 | 2 913 422 |

Detailed remuneration disclosures are provided in the remuneration report which can be accessed via the following link:
<http://www.arden-capital.com/investor-relations/corporate-governance>.

32.2 Other related party transactions and balances

The details of other related party transactions were as follows:

| | Note | 2019 US\$ | 2018 US\$ |
|--|--------------|--------------|--------------|
| Transactions with related parties | | | |
| Mr Simon F. Village | Finance cost | 33 154 | 24 747 |
| Mr Brett I. Childs | Finance cost | 15 846 | 16 385 |
| Red Rock Capital Limited | Finance cost | 351 607 | 376 978 |
| Amounts from related parties | | | |
| GetCash# | Receivable | 17 238 | 181 936 |
| Staff loans | Receivables | 111 310 | 661 480 |

GetCash refers to Coporeti Support Services (Private) Limited

The loans previously due from Mr Village and Mr Childs were all repaid during the year as part of the transaction disclosed in note 22.3.

In addition, the Company settled loans from RedRock Capital Limited and Blue Air Capital Limited ("the Lenders") that had been granted in 2017 and 2019. The loans and interest thereon amounting to US\$3.6million, were all settled through issue of shares by the Company as part of the transaction disclosed in note 22.3.

The Lenders in aggregate held 56.38% of the Company's issued shares as at 31 December 2019 and have a common ultimate beneficial owner.

Amounts due from GetCash

Refer to note 12.3 for further disclosures relating to amounts due from GetCash.

Staff loans

Refer to note 17.1 for further disclosures relating on the terms of staff loans.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

33 CONTINGENCIES

33.1 Tax claims against Arden Capital (Private) Limited (formerly Brainworks Capital Management (Private) Limited)

The Group is defending tax claims from the Zimbabwe Revenue Authority ("ZIMRA") arising from assessments issued by ZIMRA to Arden Capital (Private) Limited in relation to Value Added Tax, Pay As You Earn, Income Tax and Withholding Tax. The total claim of US\$1.25 million comprises aggregate principal amounts and penalties and interest of US\$0.64 million and US\$0.61 million respectively.

The matter was heard in the High of Zimbabwe on 27 February 2020. The Group awaits judgement.

Of the total claim above, tax and legal experts have advised that Arden Capital (Private) Limited could be liable for the payment of PAYE claims of US\$0.1 million. As a result, the Group has recognised a provision thereof in its financial statements for the year ended 31 December 2019.

34 EVENTS AFTER THE REPORTING DATE

Global outbreak of COVID-19

Novel coronavirus (COVID-19), an infectious disease which was first identified in December 2019 in Wuhan, the capital of China's Hubei province has since spread globally. As of 27 April 2020, more than 2.97 million cases had been reported across 185 countries, resulting in more than 206,000 deaths. The World Health Organisation ("WHO") officially declared COVID-19 a global pandemic on 11 March 2020. According to scenario simulations of the International Monetary Fund ("IMF"), global economic growth could fall by 0.5 for the year 2020. Several other sources are also predicting a fall in global economic growth due to the direct effects of the COVID-19 outbreak. The global economy may enter a recession at least in the first half of the year 2020, when adding the direct and indirect effects of the current global health crisis.

The Group's business, being predominantly tourism and hospitality focused, is expected to be adversely impacted by the ongoing global suspension of international travel activities and lockdowns. According to the United Nations World Tourism Organisation ("UNWTO"), based on the latest developments (quarantine measures, travel bans and border closures in most of Europe, which represents 50% of international tourism, and in many countries of the Americas, Africa and the Middle East), the evolutions in Asia and the Pacific and the patterns of previous crises (2003 SARS and 2009 global economic crisis), UNWTO estimates international tourist arrivals could decline by 20% to 30% in 2020. This would translate into a loss of between US\$300 to US\$450 billion in international tourism receipts (exports) – almost one third of the US\$1.5 trillion generated globally in the worst-case scenario.

According to the World Bank ("WB"), economic growth in Sub-Saharan Africa has been significantly impacted by the ongoing COVID-19 outbreak and is forecast to fall sharply from 2.4% in 2019 to between -2.1 to -5.1% in 2020, the first recession in the region over the past 25 years. The WB analysis shows that COVID-19 will cost the region between US\$37 billion and US\$79 billion in output losses for 2020 due to a combination of effects, arising from reduced foreign financing flows from remittances, tourism, foreign direct investment, foreign aid, combined with capital flight, and disruptions caused by containment measures and the public response.

Following the Government of Zimbabwe ("the Government")'s proclamation of a 21 days lockdown period effective 30 March 2020 in-order to contain further spread of the COVID-19 pandemic, the Group consequently shut down all its 11 hotels in response to this directive. However, following the relaxation of the COVID - 19 containment measures by the Government, the Group resumed operations, initially opening only 4 of its 11 hotels on 11 May 2019; with the re-opened hotels being predominantly city based. The Group would be assessing the business conditions to identify the optimal timing to re-open the resort based hotels.

34 EVENTS AFTER THE REPORTING DATE (CONTINUED)

Global outbreak of COVID-19 (continued)

In the interim, the Group has implemented the following measures among others to preserve liquidity whilst business recovers:

- a) An immediate stop to all capital expenditure programmes across the Group;
- b) Restriction of payments to key business continuity creditors;
- c) Engagement with tour operators to defer bookings as opposed to cancellation;
- d) Reduction in work force with effect from 1 April 2020 to align to no or low volumes expected in the near future, mainly within the hospitality business segment;
- e) Engagement with landlords on revised sustainable rental formulas until this constrained business phase is gone; and
- f) Seeking extensions of certain brand compliance requirements without compromising service delivery to our guests.

As the outbreak continues to evolve, it is challenging at this point, to predict the full extent and duration of its business impact.

The Directors, based on their interpretation of IFRS have considered the global outbreak of COVID-19 to be a non adjusting event in terms of International Accounting Standard 10 ("IAS 10"), Events after reporting period. This event was not considered as reflective of underlying conditions as at the reporting date of 31 December 2019, therefore, has not been adjusted for.

The Group's assessment of the current COVID -19 outbreak on going concern is documented in note 2.1.2.

CERTIFICATE FROM THE SECRETARY



CERTIFICATE FROM THE SECRETARY UNDER SECTION 166 (d) OF THE MAURITIUS COMPANIES ACT 2001

We certify, to the best of our knowledge and belief, that we have filed with the Registrar of Companies all such returns as are required of Arden Capital Limited (formerly Brainworks Limited) (the "Company") under Section 166 (d) of the Mauritius Companies Act 2001, for the year ended 31st December 2019.



**for Adansonia Management Services Limited
Corporate Secretary**

Registered office:

Suite 1, Perrieri Office Suites
C2-302, Level 3, Office Block C
La Croisette
Grand Baie, 30517
Republic of Mauritius

27 May 2020

NOTICE OF ANNUAL GENERAL MEETING

Arden Capital Limited

(formerly Brainworks Limited)

(Incorporated in the Republic of Mauritius, registration number 115883 C1/GBL)

Share code: ACZ ISIN MU0548S00026

("the Company" or "Arden Capital")

Notice is hereby given to the shareholders of the Company that the Annual General Meeting of the Company ("AGM") will be held at the Company's head office, main boardroom, Suite 1, Perrieri Office Suites C2-302, Level 3 Office Block C, La Croisette, Grand Baie, 30517 Republic of Mauritius, on Tuesday the 30th of June 2020 at 15:00 (GMT +4), for the purpose of considering the following business to be transacted and, if deemed fit, passing with or without amendment, the ordinary and special resolutions and the non-binding advisory endorsements set out hereunder, and considering any other matters raised by shareholders, at the AGM.

Explanatory note:

As the Company is registered in Mauritius, it is required to comply with the requirements of the Mauritian Companies Act, No. 15 of 2001, as amended ("Companies Act 2001"). However, as the Company's ordinary shares are listed on the Johannesburg Stock Exchange ("JSE"), the Company is also required, where applicable, to comply with the Listings Requirements of the JSE ("the JSE Listings Requirements").

Identification

In terms of Section 6 (1) (d) (i) of the Fifth Schedule of the Companies Act 2001, before any person may attend or participate in a shareholders' meeting, that person must present reasonable satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder, or as a proxy of a shareholder, has been reasonably verified.

Voting thresholds:

For the purpose of approving the ordinary resolutions, other than ordinary resolution number 5, 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. In terms of the JSE Listings Requirements, in order for ordinary resolution number 5 to be adopted, the support of at least 75% of the voting rights exercised thereon by shareholders present in person or represented by proxy at the AGM is required.

For the purposes of approving the special resolutions, the support of at least 75% of the total number of votes, which the shareholders present or represented by proxy are entitled to cast, is required.

In the event of 25% or more of shareholders voting against either the non-binding advisory endorsements number 1 or 2 or both, the board of directors of the Company ("Board") is committed to engage actively with dissenting shareholders in this regard, in order to address all legitimate and reasonable objections and concerns.

Record dates

The Board has determined that the date on which a shareholder must be recorded as a shareholder in the Company's register of shareholders in order to:

- receive notice of the AGM is Friday 22 May 2020 ("Notice Record Date"); and
- participate in and vote at the AGM is Friday 26 June 2020 ("AGM Record Date").

The last day to trade in order to be registered in the Company's register of shareholders to be able to participate in and vote at the AGM will therefore be Tuesday, 23 June 2020.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Remuneration policy and implementation report

Shareholders are advised that the Remuneration policy and Implementation report are available on the Company's website (<http://arden-capital.com/investor-relations/corporate-governance>). The Remuneration policy and Implementation report will be tabled at the AGM for the purpose of enabling shareholders to vote thereon in terms of non-binding advisory endorsements number 1 and 2 contained in this Notice of AGM ("Notice").

Presentation of financial statements and reports

Shareholders are directed to the annual financial statements and directors' report in the Company's 2019 annual report.

1. Annual financial statements

The audited consolidated financial statements for Arden Capital Limited and its subsidiaries ("the Group") for the year ended 31 December 2019 ("the Audited Financial Statements"), as approved by the Board, which contain the reports of the independent auditors and the Board ("the Reports"), have been distributed to shareholders and will be presented to the shareholders at the AGM for consideration. The Audited Financial Statements are included in the Company's 2019 annual report for the year ended 31 December 2019 ("Annual Report") and are also published on the Company's website (<http://arden-capital.com/investor-relations/financial-results-reports>).

Ordinary resolution number 1 - Adoption of the audited annual financial statements and the Reports

"RESOLVED THAT the Audited Financial Statements for the year ended 31 December 2019 including the report of the directors and independent auditor thereon be and are hereby adopted."

2. Independent auditors

Ordinary resolution number 2 - Re-appointment of independent auditors

"RESOLVED THAT PricewaterhouseCoopers Mauritius and PricewaterhouseCoopers Chartered Accountants (Zimbabwe) be and are hereby reappointed as independent auditors of the Company for the year ending 31 December 2020 and further resolved that Mr. Clive K. Mukondiwa, be and is hereby reappointed as the designated auditor of the Company for the year ending 31 December 2020 and that the Board be and is hereby authorised to settle the terms of engagement of the independent auditors."

3. Ratification of the appointment of directors and re-election of directors

In terms of the Constitution of the Company:

- Clause 12.3.1 requires that any directors appointed by the Board during the financial year be ratified at the next AGM; and
- at each AGM at least one third of the directors shall retire from office and if eligible may make themselves available for re-election.

Accordingly, shareholders are required to consider and, if deemed fit, approve the separate ordinary resolutions set out below:

Ordinary resolution number 3.1

"RESOLVED THAT the appointment of Mrs. Zain Mehtab Madarun as an independent non-executive director on 28 June 2019 be and is hereby ratified".

Ordinary resolution number 3.2

“RESOLVED THAT the appointment of Mrs. Seetul Manisha Ramphul as an independent non-executive director on 28 June 2019 be and is hereby ratified”.

Ordinary resolution number 3.3

“RESOLVED THAT, subject to the approval of ordinary resolution number 3.1, Mrs. Zain Mehta Madarun, being eligible, be and is hereby re-elected as an independent non-executive director.”

Ordinary resolution number 3.4

“RESOLVED THAT, subject to the approval of ordinary resolution number 3.2, Mrs. Seetul Ramphul, being eligible, be and is hereby re-elected as an independent non-executive director.

Ordinary resolution number 3.5

“RESOLVED THAT Mr. George Sidney John Bennett, being eligible, be and is hereby re-elected as an independent non-executive director.”

Brief curricula vitae in respect of all the directors set out above are set out in the Company's 2019 annual report.

4. Election and appointment of the Members of the Audit and Risk Committee

Ordinary resolution number 4 – Election and appointment of members of the Audit and Risk Committee for the year ending 31 December 2020.

Ordinary resolution Number 4.1

“RESOLVED THAT Mrs. Chipo Mtasa be appointed as a member and Chairperson of the Audit and Risk Committee until the conclusion of the next AGM of the Company.”

Ordinary resolution number 4.2

“RESOLVED THAT Mr. George Sidney John Bennett be appointed as a member of the Audit and Risk Committee until the conclusion of the next AGM of the Company, subject to his re-election as a director pursuant to ordinary resolution number 3.5.”

Ordinary resolution number 4.3

“RESOLVED THAT Mrs Zain Mehtab Madarun be appointed as a member of the Audit and Risk Committee until the conclusion of the next AGM of the Company, subject to her re-election as a director pursuant to ordinary resolution number 3.3.”

Brief curricula vitae in respect of the members of the Audit and Risk Committee are set out in the Company's 2019 annual report.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

5. General authority to issue shares for cash

Ordinary resolution number 5

“RESOLVED THAT pursuant to section 52 of the Companies Act 2001, the Board be generally and unconditionally authorised to issue ordinary shares and/or grant options to subscribe for unissued ordinary shares in the Company and/or options or securities that are convertible into ordinary shares, subject to the Companies Act 2001, the Constitution of the Company and the JSE Listings Requirements, specifically that:

- the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class of shares already in issue;
- the shares are to be issued to public shareholders (as defined by the JSE Listings Requirements) and not to related parties;
- the total aggregate number of shares which may be issued for cash in terms of this authority may not exceed 10,949,152 shares, being 10% of the aggregate number of shares in issue as at the date of this Notice (excluding 7,775,000 treasury shares);
- any ordinary shares issued under this authority during the period of its validity must be deducted from the above number of ordinary shares;
- in the event of a sub-division or consolidation of shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
- the maximum discount at which the shares may be issued is 10% (ten percent) of the weighted average trade price of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the Company and the party/ies subscribing for the shares. The JSE should be consulted for a ruling if the Company's securities have not traded in such 30 (thirty) business day period;
- this authority shall not endure beyond the earlier of the next AGM of the Company or beyond 15 (fifteen) months from the date of this resolution whichever is shorter; and
- upon the issue of shares in terms of a general authority to issue shares for cash representing, on a cumulative basis within the period that this authority is valid, constituting 5% (five percent) or more of the number of shares in issue prior to that issue, the Company shall publish an announcement in terms of the JSE Listings Requirements, giving full details of such issue.”

6. Directors' authority

Ordinary resolution number 6

“RESOLVED THAT each and every Director and/or Company Secretary of the Company be and is hereby authorised to do all such things and sign all such documents as may be necessary for, or incidental to, the implementation of the resolutions passed at this meeting.”

7. Advisory endorsement number 1 – Endorsement of the Company's Remuneration policy

“RESOLVED THAT the Company's Remuneration policy tabled at this AGM, be and is hereby endorsed by way of a non-binding advisory vote.”

8. Advisory endorsement number 2 – Endorsement of the Company's Remuneration implementation report

“RESOLVED THAT the Company's Remuneration implementation report tabled at this AGM, be and is hereby endorsed by way of a non-binding advisory vote.”

9. Non-executive directors' fees

Details of the non-executive director's fees are set out in the Remuneration implementation report.

Special resolution number 1

"RESOLVED THAT the proposed fees payable to the non-executive Directors of the Company for their services as Directors of the Company and/or as members of the board sub-committees for the year ended 31 December 2019, as reflected in the Company's 2019 annual report, be and are hereby approved until the conclusion of the next AGM of the Company."

Material changes to the Company's operations pursuant to the COVID 19 pandemic

Shareholders are directed to the Company's SENS announcement released on 27 March 2020 regarding the impact of COVID 19 on the business. As hospitality is the major operating segment of the Company and its subsidiaries, with 94% of the Group's revenue as at 31 December 2019 being generated from this segment, the Group has considerable exposure to the impact that the global restrictions will have on the tourism industry in Zimbabwe.

Shareholders are advised that the extent and duration of the effects of the COVID 19 pandemic are currently unknown, and this uncertainty extends to quantifying its impact on the Group's performance. It is, however, evident that the pandemic will have a negative impact on the Company's operations and performance over the next financial year.

Shareholders are further directed to the directors report and note 34 on page 124 in the annual report in which directors have documented in detail their assessment of the impact of COVID - 19 to the Group's business and the various initiatives that would be pursued to mitigate the adverse impact thereof.

Voting

In terms of section 73 of the Companies Act 2001, subsidiaries of the Company which hold shares in the Company shall not be entitled to exercise voting rights on any resolutions proposed by the Company in respect of such shares.

Voting on the resolutions to be considered at the AGM will be conducted by way of a poll. In this regard, every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.

Shareholders who hold dematerialised shares, other than holders of dematerialised shares registered in their own name, must inform their Central Securities Depository Participant ('CSDP') or broker of their intention to attend the AGM and must request their CSDP or broker to issue them with the necessary letter of representation to attend the AGM if they wish to attend the AGM in person or provide their CSDP or broker with their voting instructions should they not wish to attend the AGM in person, failing which the CSDP or broker will be obliged to act in terms of the mandate between such shareholder and their CSDP or broker.

Proxies

Shareholders holding certificated shares and shareholders holding dematerialised shares registered in such shareholders' own name and who are registered as such on the AGM Record Date are entitled to attend, participate in and vote at the AGM and, if unable to do so in person, may appoint a proxy or proxies (acting in the alternative) to attend, participate in, speak and vote at the AGM in such shareholders' stead. A proxy need not be a shareholder of the Company. The completion and lodging of a form of proxy will not preclude a shareholder from attending, participating in, speaking and voting at the AGM to the exclusion of the proxy/ies so appointed.

It is recommended that the attached form of proxy, duly completed, should be returned to the Transfer Secretaries of the Company, Computershare Investor Services Proprietary Limited, at its address below, in accordance with the instructions contained therein so as to be received by the transfer secretaries (for administrative purposes only) by 12:00 (GMT + 4) on Friday, 26th of June 2020 or to be handed to the Chairman of the AGM on commencement of the AGM, but in any event, prior to the proxy exercising such shareholder's rights as a shareholder at the AGM or at any adjourned or postponed annual general meeting which date, if necessary, will be notified on the Stock Exchange News Service of the JSE and in the press.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Electronic communication

Should any shareholder (or a representative or proxy for a shareholder) wish to participate in the AGM by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the Transfer Secretaries, at their address below, to be received by the Transfer Secretaries at least seven business days prior to the date of the AGM (i.e. by Friday, 19 June 2020) in order for the Transfer Secretaries to arrange for the shareholder (or its representative or proxy) to provide satisfactory identification to the Transfer Secretaries for the Transfer Secretaries to provide the shareholder (or its representative or proxy) with details as to how to access the AGM by means of electronic participation. Shareholders participating electronically will not be able to vote electronically and must follow the standard voting arrangements indicated above. The Company reserves the right not to provide for electronic participation at the AGM in the event that it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to so participate.

Enquiries

Any shareholder having difficulties or queries in regard to the AGM is invited to contact the Company, on investorrelations@arden-capital.com or at proxy@computershare.co.za.

By order of the Board



ADANSONIA MANAGEMENT SERVICES LIMITED

**Represented by Mrs. Zain Mehtab Madarun and Mrs. Seetul Ramphul
Company Secretary**

27 May 2020

| | |
|--|---|
| Registered office c/o Adansonia Management Services Limited Suite 1, Perrieri Office Suites C2-302, Level 3, Office Block C La Croisette Grand Baie, 30517 Republic of Mauritius | Transfer Secretaries Computershare Investor Services Proprietary Limited Rosebank Tower 15 Biermann Avenue Rosebank, 2196 Johannesburg, South Africa (Private Bag X9000, Saxonwold, 2132) |
|--|---|

Arden Capital Limited
(formerly Brainworks Limited)
(Incorporated in the Republic of Mauritius, registration number 115883 C1/GBL)
Share code: ACZ
ISIN MU0548S00026
("the Company" or "Arden Capital")

FORM OF PROXY

To be completed by registered certified shareholders and dematerialised shareholders with own-name registration only

This form of proxy relates to the Annual General Meeting of the Company to be held at Suite 1, Perrieri Office Suites C2-302, Level 3 Office Block C, La Croisette, Grand Baie, 3051, Republic of Mauritius, on Tuesday the 30th of June 2020 at 15:00 (GMT +4) and is for use by registered shareholders whose shares are registered in their own names by the record date for determining which shareholders of the Company are entitled to participate in and vote at the AGM, being Friday 26 June 2020.

Terms used in this form of proxy have the meanings given to them in the notice of the AGM to which this form of proxy is attached.

Please print clearly when completing this form of proxy and see the instructions and notes at the end of this form of proxy for an explanation of the use of this form of proxy and the rights of the shareholders and the proxy.

I/We (full name in block letters)

Of (address)

Telephone (home)

(work)

Mobile

Email address:

being a shareholder(s) of the Company and being the registered owner/s of

ordinary shares in the Company hereby appoint

or failing him/ her

or failing him/her the Chairperson of the AGM, to attend and participate in the AGM and to speak and to vote or abstain from voting for me/us and on my/our behalf in respect of all matters arising (including any poll and all resolutions put to the AGM) at the AGM, even if the AGM is postponed, and at any resumption thereof after any adjournment

My/our proxy shall vote as follows:

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his discretion.

| | ABSTAIN | FOR | AGAINST |
|---|---------|-----|---------|
| AUTHORITY TO IMPLEMENT ORDINARY RESOLUTIONS | | | |
| Annual Financial Statement | | | |
| Ordinary resolution number 1: Receipt and adoption of the annual financial statements for the year ended 31 December 2019 and directors and independent auditors' reports thereon | | | |
| Independent Auditors | | | |
| Ordinary resolution number 2: Re-appointment of independent auditors | | | |
| Ratification of Directors' appointments and re-election of Directors | | | |
| Ratification of Directors' appointments: | | | |
| Ordinary resolution number 3.1: Ratification of the appointment of Mrs. Zain Mehtab Madarun as an independent non-executive director on 28 June 2019 | | | |
| Ordinary resolution number 3.2: Ratification of the appointment of Mrs. Seetul Manisha Ramphul as an independent non-executive director on 28 June 2019 | | | |
| Re-election of Directors: | | | |
| Ordinary resolution number 3.3: Re-election of Mrs. Zain Madarun as an independent non-executive director | | | |
| Ordinary resolution number 3.4: Re-election of Mrs. Manisha Ramphul as an independent non-executive Director | | | |
| Ordinary resolution number 3.5: Re-election of Mr. George Sidney John Bennett as an independent non-executive Director | | | |
| Election and appointment of members of the Audit and Risk Committee | | | |
| Ordinary resolution number 4.1: Appointment of Mrs Chipo Mtasa (and as Chairperson) | | | |
| Ordinary resolution number 4.2: Appointment of Mr. George S.J. Bennett | | | |
| Ordinary resolution number 4.3: Appointment of Mrs. Zain Madarun | | | |
| General Authority to Issue Shares for Cash | | | |
| Ordinary resolution number 5: General authority to issue shares for cash | | | |
| Director's authority | | | |
| Ordinary resolution number 6: Director's authority | | | |
| Advisory Endorsement number 1 - Remuneration Policy | | | |
| Non-binding advisory endorsement of the Company's Remuneration policy | | | |
| Advisory Endorsement number 2 - Implementation Report | | | |
| Non-binding advisory endorsement of the Company's Remuneration implementation report | | | |
| SPECIAL RESOLUTIONS | | | |
| Special resolution number 1: Non-executive directors fees | | | |

Note

(Indicate instruction to proxy by way of a cross in the relevant space provided above)
Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.
Please read the notes on the reverse side hereof.

Signed this _____ day of _____ 2020

Signature _____ Capacity _____

Instructions to the Form of Proxy

1. This form of proxy should be received at the Company's transfer office, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, by no later than 12:00 (GMT + 4) on Friday, 26 June 2020 for administration purposes or thereafter it may be handed to the Chairman at the commencement of the AGM, but in any event, prior to the proxy exercising such shareholder's rights as a shareholder at the AGM.
2. This form of proxy is for use by registered shareholders who wish to appoint another person (a proxy) to represent them at the AGM. If duly authorised, companies and other corporate bodies who are registered shareholders may appoint a proxy using this form of proxy, or may appoint a representative in accordance with paragraph 11 below. Other shareholders should not use this form of proxy. All beneficial shareholders who have dematerialised their shares through a CSDP or broker must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the AGM in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker.
3. This proxy shall apply to all ordinary shares registered in the name of the shareholder who signs this form of proxy at the record date unless a lesser number of shares is inserted.
4. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the Company. If the name of the proxy is not inserted, the chairman of the AGM will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this form of proxy may not delegate the authority given to him in this form of proxy.
5. Unless revoked, the appointment of a proxy in terms of this form of proxy remains valid until the end of the AGM, even if the AGM or part thereof is postponed or adjourned.
6. If:
 - 6.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or
 - 6.2 the shareholder gives contradictory instructions in relation to any matter; or
 - 6.3 any additional resolution/s which are properly put before the AGM; or
 - 6.4 any resolution listed in the form of proxy is modified or amended, then the proxy shall be entitled to vote or abstain from voting, as he thinks fit, in relation to that resolution or matter.

If, however, the shareholder has provided further written instructions which accompany this form of proxy and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in paragraphs 6.1 to 6.4, then the proxy shall comply with those instructions.
7. If this form of proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this form of proxy will not be effective unless:
 - 7.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
 - 7.2 the Company has already received a certified copy of that authority.
8. The Chairman of the AGM may, in his discretion, accept or reject any form of proxy or other written appointment of a proxy which is received by the Chairman prior to the time when the AGM deals with a resolution or matter to which the appointment of the proxy relates. However, the Chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.
9. Any alterations made in this form of proxy must be initialled by the authorised signatory/ies.
10. This form of proxy is revoked if the shareholder who granted the proxy:
 - 10.1 gives written notice of such revocation to the Company, so that it is received by the Company before 12:00 (GMT + 4) on Friday, 26 June 2020, or:
 - 10.1.1 subsequently appoints another proxy for the AGM; or
 - 10.1.2 attends the AGM himself in person.
11. If duly authorised, companies and other corporate bodies that are shareholders of the Company having shares registered in their own names may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the AGM by giving written notice of the appointment of that representative. That notice will not be effective at the AGM unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the Company's transfer office, Computershare Investor Services (Pty) Ltd, by no later than 12:00 (GMT + 4) on Friday, 26 June 2020 for administrative purposes.
12. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the AGM and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.



ARDEN
CAPITAL

(formerly Brainworks Limited)

REGISTERED OFFICE:

C/o Imara Trust Company (Mauritius) Limited

Level 2 Alexander House

Silicone Avenue, Ebène Cybercity 72201

Republic of Mauritius