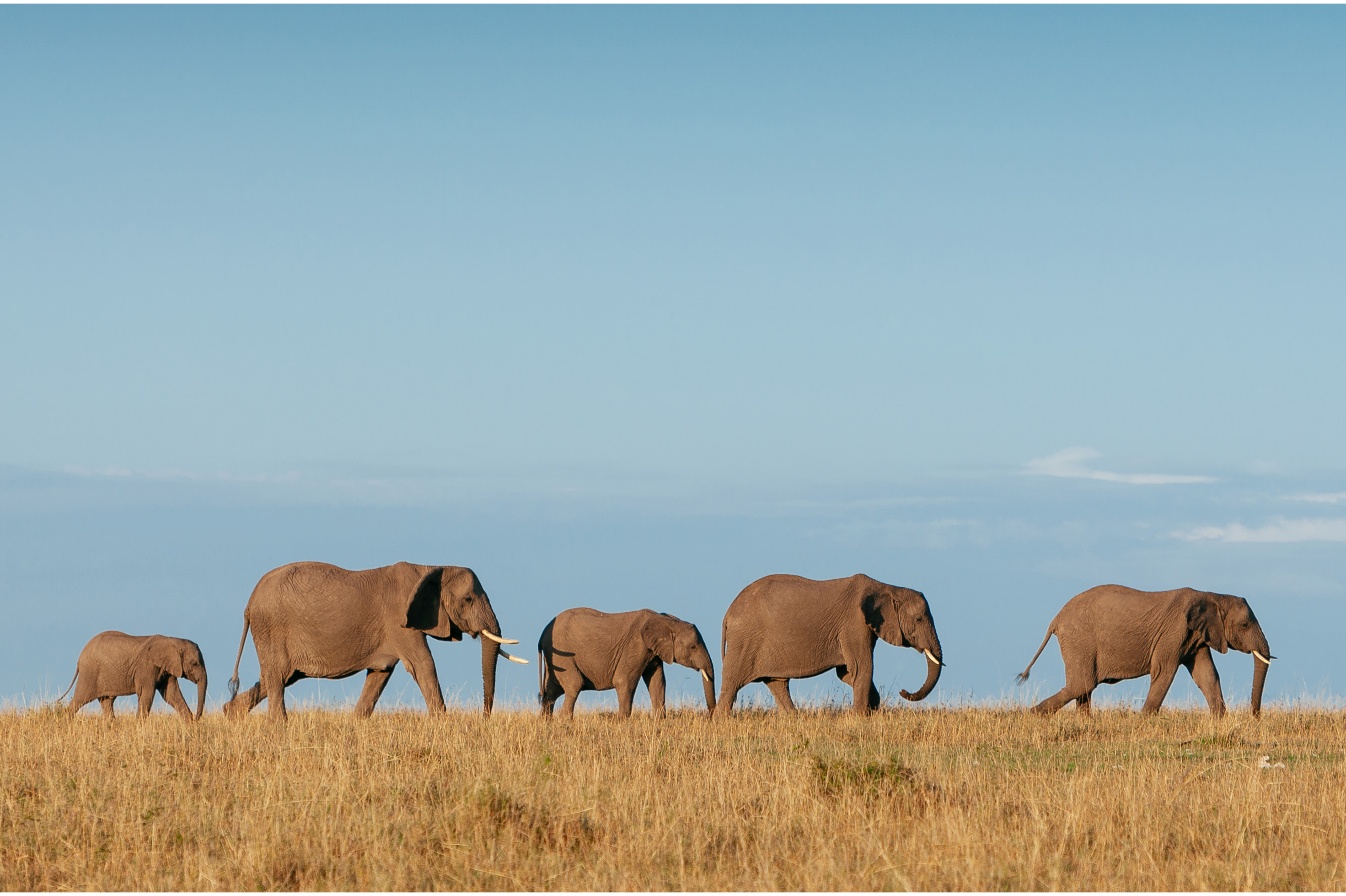
BRAINWORKS

Abridged Consolidated Financial Results

for the year ended 31 December 2018



Brainworks Limited
(Incorporated in the Republic of Mauritius)
(Registration number 115883 C1/GBL)
(Share code: BWZ, ISIN MU0548S00000)

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CORPORATE INFORMATION

NON-EXECUTIVE DIRECTORS
Simon F.W VILLAGE (Chairman)
Chipo MTASA (appointed: 19 November 2018)
Richard G. MUIRIMI
Simon NYAROTA (appointed: 19 November 2018)
George S.J. BENNETT
Audrey M. MOTHUPI
Richard N. CHARRINGTON

EXECUTIVE DIRECTORS
Brett I. CHILDS (Chief Executive Officer)
Peter SAUNGWEME (Chief Finance Officer)

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

Dube, Manikai and Hwacha
7th Floor, Mercury House,
Sam Nujoma Street and Robert Mugabe Road,
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Harare,
Zimbabwe

Bowmans
11Alice Lane,
Sandton, 2146,
johannesburg,
South Africa

Evershed Sutherlands
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Le Caudan Waterfront,
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Mauritius

BANKERS:
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4th Floor, NeXTeracom Tower III,
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Republic of Mauritius

COMPANY SECRETARY
Imara Trust Company (Mauritius) Limited
Level 2 Alexander House,
Silicone Avenue, Ebène Cybercity,
Republic of Mauritius

REGISTERED OFFICE:
C/o Imara Trust Company (Mauritius) Limited
Level 2 Alexander House,
Silicone Avenue, Ebène Cybercity,
Republic of Mauritius
Registration number: 115883 C1/GBL
JSE Share code: BWZ
ISIN: MU0548S00000

INDEPENDENT STATUTORY AUDITOR:
PricewaterhouseCoopers
Business Registration Number: F07000530,
18 CyberCity,
Ebène, Réduit 72201,
Republic of Mauritius

JOHANNESBURG STOCK EXCHANGE ("JSE") INDEPENDENT AUDITOR:
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Building No. 4,
Arundel Office Park, Norfolk Road,
Mt Pleasant,
Harare,
Zimbabwe

SPONSOR:
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1st Floor, Yellowwood House,
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33 Ballyclare Drive,
Bryanston,
2191,
Johannesburg,
South Africa

COMMENTARY

INTRODUCTION

The directors hereby present the summarised financial statements ("the financial statements") of Brainworks Limited ("the Company") together with its subsidiaries and associates ("the Group") for the year ended 31 December 2018. All the Company's subsidiaries operate in Zimbabwe.

ZIMBABWE POLITICAL AND ECONOMIC REVIEW

Political

The major political event of 2018 were the elections that were held in July 2018 in which Mr. Emmerson Mnangagwa emerged as the winner, effectively assuming his first term as the president of Zimbabwe. Apart from the 2 August 2018 protests, the election period was considered generally as having been very peaceful.

The current government has continued with its theme of repositioning Zimbabwe as a destination that is safe and secure for investment. This has seen representatives of the government embarking on roadshows to market Zimbabwe again on the global capital markets.

Diplomatic engagements are continuing.

Key economic developments

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

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

According to the RBZ, the separation of bank accounts into NOSTRO FCAs and RTGS FCAs has yielded positive results as reflected by the significant increase in the NOSTRO FCAs to US$451.2 million as at 31 January 2019, compared to US$240.5 million at the beginning of October 2018, a growth of 87.6%.

On 20 February 2019, the RBZ through a monetary policy statement introduced policies aimed at establishing a formal trading mechanism of RTGS balances and bond notes with international currencies by establishing an inter-bank foreign exchange market to restore domestic competitiveness and promote growth. The measures are also aimed at preserving foreign currency for external payments that include importation of goods and services, and servicing of the country's external obligations.

On the same date, the RBZ announced the official designation of the existing RTGS balances, bond notes and coins in circulation then as RTGS dollars in order to establish an exchange rate between the current monetary balances and foreign currency. The RTGS dollars thus became part of the multi-currency system in Zimbabwe. The RTGS dollars are going to be used by all entities, including government and individuals in Zimbabwe for the purposes of pricing of goods and services, recording debts, accounting and settlement of domestic transactions. This effectively introduced the RTGS as the functional currency in Zimbabwe with effect from 22 February 2019.

The Zimbabwean economy, although showing positive signs of growth, still remains constrained by a number of challenges, the most notable being the shortage of foreign currency. Inflation, which recorded an exponential increase in October 2018, closed the year under review at 42.1% in comparison to 3.46% in December 2017. However, authorities are confident that the measures that have been implemented will contain inflation from further spiraling upwards.

FINANCIAL RESULTS

Revenues

Group revenue increased to US$79.3 million from US$58.6 million recorded in the prior year, representing a nominal increase of 35%. Revenue growth was recorded across all the Group's segments, with notable growth being recorded by the hospitality segment. In line with the prior year, the Hospitality and Real Estate segments remains the Group's major drivers of revenues.

Consistent with prior year, the Hospitality segment remains the major contributor to Group total revenue, with contribution of 86% (US$68.5 million) of the current year Group revenue. The Hospitality business segment's revenue grew by 32% to US$68.5 million compared to US$51.8 million recorded over the same period in 2017. Both domestic and foreign revenue registered growth, achieving 26% and 32% respectively. The revenue growth was attributable to a 7 percentage points increase in occupancy rate from 52% reported last year to 59%. Occupancy growth was supported by strong performance from all the source markets, with local, international and regional rooms sold increasing by 12%, 14% and 7% respectively. The Group witnessed an exceptional increase in both local and foreign arrivals during what would have traditionally been trough periods, particularly during the first quarter of 2018 because of the Zimbabwean election period. Improved hotel occupancy resulted in the average daily rate ("ADR") improving to US$109 from US$93 reported during the comparative period. As a result, revenue per available room ("RevPAR") firmed up by 33% to US$64 from US$48 achieved last year.

The Real Estate segment recorded notable increase in revenue from US$5.1 million in 2017 to U$11.1 million in 2018. The growth is principally attributable to US$4.4 million revenues recorded from property sales following the completion of the Group's maiden property development project in Harare, Zimbabwe. Of the 58 units that were completed, 36 had been sold as at the reporting date. Although there was market demand for the remaining 22 units in 2018, the Group adopted a strategic decision of slowing down sales as the Zimbabwe currency environment became more volatile during the third quarter of 2018. The recent currency pronouncements by the monetary authorities are expected to drive confidence and stabilise the exchange rate in Zimbabwe, which will provide the Group with a basis to resume sales of the remaining property units. It is the Group's intention to sell the remaining property units within 2019.

Operating expenses

At US$47.9 million, Group operating expenses recorded an 19% increase in comparison to the prior year of US$40.3 million. The Hospitality segment alone recorded increase in operating expenses by 22% from US$31 million in 2017 to US$37.8 million during the year under review, mainly as a result of increased volumes and inflationary pressures on operating costs which became more apparent within the last quarter of the 2018 financial year. However, the reduction in operating expenses recorded mainly at the holding company level, which recorded operating expenses of US$4.7 million, down from US$5.7 million in the prior year, contributed positively to the overall Group cost containment strategy.

Debt and finance costs

As reported in the prior year, the Group was going to strategically focus on reducing its debt burden. The Group managed to reduce its debt level by 55% from US$38.3 million as at the end of the prior year to US$17.1 million as at the reporting date. The reduction in the debt was principally driven by the following:

a) Completion of the disposal of 163 769 298 ordinary shares in GetBucks Microfinance Bank Limited through a transaction that was initiated during the last quarter of 2017. This resulted in the settlement of US$5.8 million in principal and interest accrued up to the transaction completion date;
b) deployment of fresh capital proceeds of US$4.6 million that were raised during the year;
c) various deals involving disposal of GetBucks ordinary shares resulting in aggregate debt of US$4.3 million being assumed by the buyers in lieu of settlement of the consideration; and
d) the balance being settled out of cashflows generated within the ordinary course of business.

As a consequence of reduction in debt, total net finance charges for the year amounted to US$3.2 million, this being 27% lower compared to US$4.4 million incurred in the prior year.

Profitability

The Group recorded profit after tax of US$10.4 million for the year under review, compared to losses of US$8 million recorded in the prior year. Comparatively higher growth in revenues against a lower increase in operating expenses, and reduction in the finance costs, all positively contributed to the strong performance recorded in the current year.

The Group recorded an overall positive impact of US$7 million from the complete exit of its financial services sector investments during the year (as more fully discussed below). This had a significant impact on the current year profitability.

IMPACT OF NEW AND EFFECTIVE FINANCIAL REPORTING STANDARDS

A number of new and amended international financial reporting standards and interpretations became effective for the first time during the year under review. Of such standards, IFRS 9 - Financial instruments and IFRS 15 - Revenue from contracts with customer, were the major ones.

Impact of IFRS 9

The background to the standard is disclosed on note 3.1 and further quantitative and qualitative disclosures relating to impact of adoption of the standard is disclosed in note 3.3.

Impact of IFRS 15

The background to this standard is documented in note 3.1. The adoption of this standard did not have any impact on the financial statements of the Group.

IMPACT OF ISSUED BUT NOT YET EFFECTIVE FINANCIAL REPORTING STANDARDS

A number of financial reporting standards have been issued that will become effective within the 2019 financial reporting period. Of those standards, IFRS 16 - Leases is expected to have a material impact on the Group's financial statements.

The Group has elected not to early adopt IFRS 16. However, the Group has assessed the most likely impact of adoption of the standard given material leases that exist with third parties. An assessment of the likely impact is disclosed in note 3.2.

NOTABLE TRANSACTIONS

During the year under review, the Group disposed of the following, thereby completely exiting the financial services sector. The disposal was in line with the Group' strategic drive towards focusing its core business which it considers as being Hospitality and Real Estate. The disposal completes a process that was initiated towards the end of 2017.

a) Disposal of equity investment in GetBucks

During December 2017, the Group entered into a transaction for the disposal of 163 769 298 of its ordinary shares ("the Shares") held in GetBucks Microfinance Bank Limited ("GetBucks") for total consideration of US$5 453 518 ("the Transaction") to related parties as defined by the JSE Listing Requirements. The JSE Listing Requirements prescribed that the Transaction be approved by the shareholders of the Company.

At an extraordinary general meeting of shareholders of the Company held on 4 May 2018 ("the Effective Date"), the requisite shareholder approvals to give effect to the Transaction were secured. The disposal of the Shares resulted in the Group's shareholding in GetBucks decreasing from 31.14 % to 16.14%.

The financial impact of the Transaction is disclosed in note 7.1.

The remaining GetBucks ordinary shares, representing 2.98% of GetBucks shareholding, were disposed of post sale of GetSure. Disposal was through a series of transactions for cash and assumption of certain Group loan obligations by the buyers.

b) Disposal of 100% equity investment in GetSure Life Assurance Company (Private) Limited

The Group sold its entire shareholding in GetSure Life Assurance Company (Private) Limited ("GetSure") on 30 June 2018. GetSure had hitherto been disclosed as part of "Financial services" on the Group's segment report, a segment which was considered insignificant to the Group.

The financial impact of the GetSure disposal is disclosed in note 10.

c) Capital raising initiatives

The Group continued with its capital raising initiatives, and successfully raised US$4.6 million dollars during October 2018. This led to the issuance of 10 million new ordinary shares to a new investor. The new shares, combined with the derecognition of 2 905 556 treasury shares (as disclosed in note 6.6.2), resulted in an increase in the Company's issued shares from 75 625 640, as at the end of 2017, to 88 577 546 as at the reporting date.

OUTLOOK

The Government of Zimbabwe is expected to continue implementing various measures enunciated in the TSP document, with a view to stabilizing key fundamentals which include inflation, exchange rates and foreign currency supply among others. In the short to medium term, the economy is expected to continue facing the usual hurdles of foreign currency supply constraints and subdued international investor confidence. To address the latter constraint, it is expected that the government of Zimbabwe will continue with the current diplomatic offensive to address these challenges.

The Group will strive to achieve further debt reduction through continuing with its efforts to raise equity capital.

FOR AND ON BEHALF OF THE BOARD

B. CHILDS
CHIEF EXECUTIVE OFFICER

P. SAUNGWEME
CHIEF FINANCE OFFICER

Ebène,
Republic of Mauritius

30 April 2019

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	NOTES	2018 US$	2017 US$
ASSETS			
Property and equipment		88 954 165	88 438 821
Investment property		23 551 754	22 254 000
Goodwill		8 261 050	8 261 050
Investments in associates	8	-	4 370 066
Deferred tax assets		1 801 099	1 343 037
Trade and other non-current assets		2 913 769	655 788
		125 481 837	**125 322 762**
Current assets			
Financial assets at fair value through profit or loss	9	-	3 139 091
Inventory		5 362 465	7 151 702
Trade and other receivables		8 017 065	10 626 429
Cash and cash equivalents		16 362 679	10 544 319
		29 742 209	**31 461 541**
TOTAL ASSETS		**155 224 046**	**156 784 303**
EQUITY AND LIABILITIES			
Equity			
Stated capital		63 088 923	55 785 508
Other reserves		(965 730)	(916 141)
Retained earnings/(accumulated losses)		944 462	(3 394 300)
		63 067 655	**51 475 067**
Non controlling interests		38 677 028	34 151 255
Total equity		**101 744 683**	**85 626 322**
Non current liabilities			
Borrowings		4 174 081	9 935 373
Deferred tax liabilities		9 737 274	9 113 735
Trade payables		296 406	1 334 185
		14 207 761	**20 383 293**
Current liabilities			
Borrowings		12 892 525	28 388 655
Trade and other payables		25 808 374	19 014 783
Insurance liabilities		-	2 340 555
Income tax		570 703	1 030 695
		39 271 602	**50 774 688**
Total liabilities		**53 479 363**	**71 157 981**
TOTAL EQUITY AND LIABILITIES		**155 224 046**	**156 784 303**

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 US$	2017 US$
Revenue	6	79 296 722	58 586 714
Cost of sales and other direct costs	6	(25 599 671)	(19 131 121)
Gross profit		**53 697 051**	**39 455 593**
Gain/(loss) from financial assets at fair value through profit or loss		979 561	(2 189 551)
Fair value gain on remeasurement of investment in associate	8.1	4 082 299	-
Reserve of impairment losses on financial assets		129 988	-
Profit from disposal of associate	8.2	3 005 626	-
Loss from disposal of subsidiary	11.1	(947 341)	-
Other income		4 778 412	1 340 365
Operating expenses	6	(47 898 694)	(40 256 440)
		(35 870 149)	**(41 105 626)**
Operating profit/(loss) before finance cost		**17 826 902**	**(1 650 033)**
Net finance expenses	**6**	**(3 157 497)**	**(4 242 066)**
Finance income		114 503	172 001
Finance expense		(3 272 000)	(4 414 067)
Share profit/(loss) of associates	8	512 289	(112 732)
Profit/(loss) before income tax		**15 181 694**	**(6 004 831)**
Income tax expense		(4 767 245)	(2 042 401)
Profit/(loss) for the period		**10 414 449**	**(8 047 232)**
Other comprehensive income			
Foreign currency translation (losses)/gains		(86 031)	32 399
Total comprehensive income/(loss) for the period		**10 328 418**	**(8 014 833)**
Profit/(loss) attributable to:			
Owners of the parent		4 951 126	(11 099 520)
Non-controlling interests		5 463 323	3 052 288
		10 414 449	**(8 047 232)**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		4 901 537	(11 080 845)
Non-controlling interests		5 426 881	3 066 012
		10 328 418	**(8 014 833)**
Earnings/(loss) per share (cents)			
Basic and diluted	7.1	6.18	(14.68)
Headline	7.3	(3.14)	(14.22)
Number of shares in issue	7.6	88 577 546	75 625 640
Weighted average number of shares in issue	7.6	80 074 265	75 625 640

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

		ATTRIBUTABLE TO OWNERS OF THE COMPANY						
	Note	**Stated Capital US$**	**Share capital and premium US$**	**Other reserves US$**	**(Accumulated losses)/ retained earnings US$**	**Total US$**	**Non-controlling interests US$**	**Total US$**
YEAR ENDED 31 DECEMBER 2017								
Balance as at 1 January 2017		**-**	**58 535 508**	**(934 816)**	**7 705 220**	**65 305 912**	**31 085 243**	**96 391 155**
Total comprehensive income:								
(Loss)/profit for the year		-	-	-	(11 099 520)	**(11 099 520)**	3 052 288	**(8 047 232)**
Other comprehensive income		-	-	18 675	-	**18 675**	13 724	**32 399**
Total comprehensive income/ (loss) for the year		**-**	**-**	**18 675**	**(11 099 520)**	**(11 080 845)**	**3 066 012**	**(8 014 833)**
Transactions with owners in their capacity as owners:								
Recognition of treasury shares		-	(2 750 000)	-	-	**(2 750 000)**	-	**(2 750 000)**
Conversion of shares to shares of no par value	7.6.1	55 785 508	(55 785 508)	-	-	**-**	-	**-**
Balance as at 31 December 2017		**55 785 508**	**-**	**(916 141)**	**(3 394 300)**	**51 475 067**	**34 151 255**	**85 626 322**
YEAR ENDED 31 DECEMBER 2018								
Balance as at 1 January 2018 (as previously stated)		**55 785 508**	**-**	**(916 141)**	**(3 394 300)**	**51 475 067**	**34 151 255**	**85 626 322**
Restatement as a result of adoption of IFRS 9	4.3	-	-	-	(477 364)	**(477 364)**	(342 582)	**(819 946)**
		55 785 508	**-**	**(916 141)**	**(3 871 664)**	**50 997 703**	33 808 673	**84 806 376**
Total comprehensive income:								
Profit for the year		-	-	-	4 951 126	**4 951 126**	5 463 323	**10 414 449**
Other comprehensive income for the year		-	-	(49 589)		**(49 589)**	(36 442)	**(86 031)**
Dividends declared and paid to non-controlling interests		-	-	-	-	**-**	(558 526)	**(558 526)**
Total comprehensive income/ (loss) for the year		**-**	**-**	**(49 589)**	**4 951 126**	**4 901 537**	**4 868 355**	**9 769 892**
Transactions with owners in their capacity as owners:								
Issue of shares for cash	7.6	4 553 415	-	-	-	**4 553 415**	-	**4 553 415**
Derecognition of treasury shares	7.6.2	2 750 000	-	-	(135 000)	**2 615 000**	-	**2 615 000**
		7 303 415	**-**	**-**	**(135 000)**	**7 168 415**	-	**7 168 415**
Balance as at 31 December 2018		**63 088 923**	**-**	**(965 730)**	**944 462**	**63 067 655**	**38 677 028**	**101 744 683**

SUMMARISED CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 US$	2017 US$
Operating cashflows before working capital changes		**18 866 231**	**6 337 178**
Working capital changes			
Change in inventory		1 789 237	(2 357 938)
Changes in trade and other payables		1 509 584	5 512 109
Changes in trade and other recievables		(2 213 016)	(685 391)
Cash generated from operations		**19 952 036**	**8 805 958**
Interest received		114 503	172 001
Interest paid		(4 439 338)	(3 660 408)
Dividends received		149 836	283 178
Dividends declared and paid to non-controlling interests		(558 526)	-
Income tax paid		(2 708 238)	(581 123)
Net cash generated from operating activities		**12 510 273**	**5 019 606**
Cash flows from investing activities			
Purchase of equipment		(6 254 407)	(3 276 078)
Capital expenditure on investment property		(45 942)	(62 267)
Acquisition of investment property		(887 232)	-
Proceeds from disposal of subsidiary	11.1	1 883 847	-
Cash and cash equivalents transferred on disposal of subsidiary	11.2	(482 511)	-
Acquisition of financial assets at fair value through profit or loss		-	(435 680)
Proceeds from disposal of treasury shares	7.6.2	1 006 557	-
Proceeds from disposal of financial assets at fair value through profit or loss		2 616 551	90 000
Proceeds from disposal of property and equipment		2 260 240	983 315
Proceeds from disposal of investment property		200 000	-
Net cash generated from/(used in) investing activities		**297 103**	**(2 700 710)**
Cash flows from financing activities			
Proceeds from borrowings		208 416	19 125 974
Repayment of borrowings		(11 716 705)	(16 508 398)
Proceeds from issue of ordinary shares	7.6	4 553 415	-
Net cash (used in)/generated from financing activities		**(6 954 874)**	**2 617 576**
Net increase in cash and cash equivalents		**5 852 502**	**4 936 472**
Exchange (gains)/losses on cash and cash equivalents		(34 142)	14 837
Cash and cash equivalents at beginning of the year		10 544 319	5 593 010
Cash and cash equivalents at end of the year		**16 362 679**	**10 544 319**

1 GENERAL INFORMATION

Brainworks Limited ("the Company") and its subsidiaries and associates (together "the Group") has a diversified portfolio of business interests in Hospitality, Real Estate, and Fuel Logistics sectors in Zimbabwe.

The Company was incorporated in the Republic of Mauritius on 22 April 2013. The Company is domiciled in the Republic of Mauritius and has its registered office at c/o Imara Trust Company (Mauritius) Limited, Level 2 Silicone Avenue, Alexander House, 35 Ebène, Cybercity, Republic of Mauritius.

The Company is a 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.

2 BASIS OF PREPARATION

The summarised consolidated financial statements for the year ended 31 December 2018 ("summarised consolidated financial statements") have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except for the non - compliance with International Accounting Standard ("IAS") 21, The Effects of Changes in Foreign Exchange Rates described in note 14.2, the preparation and disclosure requirements of International Accounting Standard ("IAS") 34 - Interim Financial Reporting, the South Africa Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council ("FRSC").

The Chief Finance Officer, Peter Saungweme CA(Z), supervised the preparation of the summarised consolidated financial statements. The accounting policies applied in the preparation of the summarised consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements as at 31 December 2017 other than as described in note 4. The summarised consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS.

The summarised consolidated financial statements have been extracted from audited information, but are not themselves audited. The Directors take full responsibility for the preparation of the summarised consolidated financial statements and confirm that the financial information has been correctly extracted from the underlying audited financial statements.

The summarised consolidated financial statements are expressed in the United States of America dollar ("US$") and are prepared under the historical cost convention as modified by the fair valuation of financial assets at fair value through profit or loss and investment property.

3. AUDIT OPINION

These summarised consolidated financial statements should be read in conjunction with the complete set of the audited consolidated financial statements for the year ended 31 December 2018, which have been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe). An adverse audit opinion was issued as a result of non-compliance with IAS 21 'The Effect of Changes in Foreign Exchange Rates'. Refer to note 14.2 for further details on this matter.

A copy of the audit opinion is available as follows:
a) on the company's website: http://www.brainworkscapital.com/investor-relations/financial-results-reports; and
b) at the company's registered office.

The independent auditor's report includes a section on key audit matters. Key audit matters included in the auditor's report include implementation of IFRS 9 'Financial Instruments' and valuation of investment property.

4. ACCOUNTING POLICIES

The accounting policies adopted in accordance with IFRS and are consistent with those adopted in the preparation of the financial statements in the prior year, except as disclosed in note 4.3.

4.1 New and amended standards adopted by the Group

a) IFRS 9 - Financial instruments

IFRS 9 - Financial instruments, amended and effective 1 January 2018 - This standard replaces the guidance in IAS 39 - Financial instruments, recognition and measurement. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

The Group had to change its accounting policies and make prospective adjustments as a result of adopting IFRS 9 - Financial instruments. The impact of the adoption of these standards and the new accounting policies are disclosed in note 4.3.

4. ACCOUNTING POLICIES (CONTINUED)

4.1 New and amended standards adopted by the Group (continued)

b) IFRS 15 - Revenue from Contracts with Customers
IFRS 15, 'Revenue from contracts with customers', effective 1 January 2018, establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The standard resulted in changes in narratives for accounting policies but did not change the timing of revenue recognition for the Group.

The other standards and/or amendment that became effective during the year under review did not have a material impact on the financial statements of the Group.

4.2 Impact of standards issued but not yet adopted

a) IFRS 16 - Leases
IFRS 16 is effective on 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 leasees.

The accounting for lessors will not significantly change.

IFRS 16 will have 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.

As at the reporting date, the Group has non-cancellable operating lease commitments of US$21.6 million. Of these commitments, approximately US$0.04 million relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss. The Group did not have leases relating assets.

The Group expects to recognise right-of-use assets of approximately US$21 million on 1 January 2019, lease liabilities of US$22 million and deferred tax assets of US$0.3 million. Overall net assets will be approximately US$0.7 million lower.

The Group expects that net profit after tax will increase by approximately US$0.3 million for 2019 as a result of adopting the new rules. Earnings before interest, tax, depreciation and amortisation ("EBITDA") is expected to increase by approximately US$3.2 million, as the operating lease payments were included in EBITDA, but the amortisation of the right- of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately US$1.9 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

4. ACCOUNTING POLICIES (CONTINUED)

4.3 Impact of adoption of IFRS 9

This note explains the impact of the adoption of IFRS 9 - *Financial Instruments* on the Group's summarised financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 - *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated statement of financial position as at 31 December 2017, but are recognised in the opening retained earnings as at 1 January 2018.

Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management assessed which business models apply to the financial assets held by the Group and classified its financial instruments into the appropriate IFRS 9 categories. The impact on classification and measurement of the classes of financial assets of the Group, as at 1 January 2018 on adoption of the new accounting policies is outlined below;

	IAS 39		IFRS 9	
Financial Assets	**Classification**	**Carrying amount US$**	**Classification**	**Carrying amount US$**
Listed equity security	Fair value through profit or loss	2 459 174	Fair value through profit or loss	2 459 174
Treasury bills	Fair value through profit or loss	679 917	Fair value through profit or loss	679 917
Trade receivables	Amortised cost (loans and receivables)	3 814 027	Amortised cost	3 054 762
Other receivables	Amortised cost (loans and receivables)	6 318 299	Amortised cost	6 284 953
Staff receivables	Amortised cost (loans and receivables)	928 145	Amortised cost	649 690
Cash and cash equivalents	Amortised cost (loans and receivables)	10 544 319	Amortised cost	10 544 319
Financial liabilities				
Borrowings	Amortised cost	38 324 028	Amortised cost	38 324 028
Trade and other payables	Amortised cost	18 765 377	Amortised cost	18 765 377

Impairment of financial assets

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

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

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

4. ACCOUNTING POLICIES (CONTINUED)

4.3 Impact of adoption of IFRS 9 (continued)

Impairment of financial assets (continued)

To measure the expected credit losses, the various categories of trade receivables have been grouped based on shared credit risk characteristics and days past due. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

On that basis, the credit loss allowance as at 1 January 2018 was determined as follows for 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 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**
Credit loss allowance	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**
Credit loss allowance	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%					**50%**
Gross carrying amount	332 039	-	-	-	299 645	**631 684**
Credit loss allowance	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**
Credit loss allowance	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**

4. ACCOUNTING POLICIES (CONTINUED)

4.3 Impact of adoption of IFRS 9 (continued)

Impairment of financial assets (continued)

On that basis, the credit loss allowance as at 1 January 2018 was determined as follows for 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$
1 January 2018						
Trade receivables - hospitality						
Expected credit loss rate	6%	8%	8%	50%	100%	**27%**
Gross carrying amount	1 528 117	723 088	513 773	324 826	672 910	**3 762 714**
Credit loss allowance	96 123	57 847	41 102	162 413	672 910	**1 030 395**
Carrying amount	**1 431 994**	**665 241**	**472 671**	**162 413**	**-**	**2 732 319**
Trade receivables - real estate						
Expected credit loss rate	27%	4%	26%	29%	100%	**60%**
Gross carrying amount	36 836	52 357	28 893	11 528	138 998	**268 612**
Credit loss allowance	9 823	1 915	7 442	3 377	138 998	**161 555**
Carrying amount	**27 013**	**50 442**	**21 451**	**8 151**	**-**	**107 057**
Trade receivables - other						
Expected credit loss rate	-	-	-	-	100%	**58%**
Gross carrying amount	227 055	-	-	-	317 675	**544 730**
Credit loss allowance	11 669	-	-	-	317 675	**329 344**
Carrying amount	**215 386**	**-**	**-**	**-**	**-**	**215 386**
GROUP						
Expected credit loss rate	6%	8%	9%	49%	100%	**%**
Gross carrying amount	1 792 008	775 445	542 666	336 354	1 129 583	**4 576 056**
Credit loss allowance	117 615	59 762	48 544	165 790	1 129 583	**1 521 294**
Carrying amount	**1 674 393**	**715 683**	**494 122**	**170 564**	**-**	**3 054 762**

4. ACCOUNTING POLICIES (CONTINUED)

4.3 Impact of adoption of IFRS 9 (continued)

Impairment of other financial assets at amortised cost

Other financial assets at amortised cost include staff loans, receivables from related parties and other receivables. Applying the expected credit risk model resulted in the recognition of an additional loss allowance of US$311 801 on 1 January 2018 (previous loss allowance was US$629 106).

The closing credit loss allowances for trade receivables and other financial assets at amortised cost as at 31 December 2018 reconcile to the opening credit loss allowance as follows:

	Trade receivables US$	Other financial assets at armotised cost US$	Total US$
As at 31 December 2018 - calculated under IAS39	**762 029**	**629 106**	**1 391 135**
Increase in credit loss allowance charged to retained earnings	759 265	311 801	**1 071 066**
Opening loss allowance as at 1 January 2018 calculated under IFRS 9	**1 521 294**	**940 907**	**2 462 201**
Net increase in expected credit loss allowance recognised in profit or loss during the year	173 799	198 805	**372 604**
Trade receivables written off as uncollectible	(57 343)	-	**(57 343)**
	1 637 750	**1 139 712**	**2 777 462**

Impairment allowance of US$629 106 relating to other receivables had incorrectly been allocated to impairment allowance relating to trade receivables as at 31 December 2017. The reallocation does not have an impact on previously disclosed total trade and other receivables disclosed on the statement of financial position.

4. ACCOUNTING POLICIES (CONTINUED)

4.3 Impact of adoption of IFRS 9 (continued)

Impact on the financial statements (continued)

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	Gross carrying amount US$	IAS 39 impairment allowance US$	31 December 2017 As originally presented US$	IFRS 9 adjustment US$	1 January 2018 Restated US$
Statement of financial position (extract)					
Current assets					
Trade receivables	4 576 056	(762 029)	3 814 027	(759 265)	3 054 762
Other receivables at armotised cost	7 875 550	(629 106)	7 246 444	(311 801)	6 934 643
	12 451 606	**(1 391 135)**	**11 060 471**	**(1 071 066)**	**9 989 405**
Non-current liabilities					
Deferred tax liabilities	(9 113 735)	-	(9 113 735)	251 120	(8 862 615)
Net assets	**3 337 871**	**(1 391 135)**	**1 946 736**	**(819 946)**	**1 126 790**
Equity					
Accumulated losses	(3 394 300)	-	(3 394 300)	(477 364)	(3 871 664)
Non controlling interests	34 151 255	-	34 151 255	(342 582)	33 808 673
	30 756 955	**-**	**30 756 955**	**(819 946)**	**29 937 009**

Classification

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

i) those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss); and
ii) those to be measured at armotised cost.

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

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

Measurement

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

4. ACCOUNTING POLICIES (CONTINUED)

4.3 Impact of adoption of IFRS 9 (continued)

Impact on the financial statements (continued)

Impairment
From 1 January 2018, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a) 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.
b) 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.
c) Business model assessment - the Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of assets and the how these are managed.

6 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, assessing performance of the operating segments, and making strategic decisions, has been identified as the Executive Committee.

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

Revenue
The revenue from external parties reported to the Executive Committee is measured in a manner consistent with how revenue is measured in the statement of comprehensive income. The Group 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 Executive Committee with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Description of segments and principal activities

Entity	Segment	2018	2017	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	Other	√	√	Fuel transportation services
Brainworks Capital Management (Private) Limited	Other	√	√	Investment holding company in Zimbabwe
Brainworks Limited	Other	√	√	Ultimate parent company in Mauritius

√ - denotes that the respective entity was part of the Group during the relevant year.
** - The entire equity interest in this sudsidiary was disposed of on 30 June 2018. Refer to note 10 for further disclosures.

6 SEGMENT INFORMATION (CONTINUED)

Summarised segment information

	Hospitality US$	Real estate US$	Financial services US$	Other US$	Eliminations US$	Group US$
Year ended 31 December 2018						
Revenue						
- external customers	68 499 411	7 100 807	1 142 654	2 804 424	**(250 574)**	**79 296 722**
- internal customers	-	3 994 351	-	-	**(3 994 351)**	**-**
	68 499 411	**11 095 158**	**1 142 654**	**2 804 424**	**(4 244 925)**	**79 296 722**
Cost of sales and other related costs	(19 141 018)	(4 180 075)	(861 071)	(1 417 507)	**-**	**(25 599 671)**
Gross profit	**49 358 393**	**6 915 083**	**281 583**	**1 386 917**	**(4 244 925)**	**53 697 051**
Operating expenses	(37 775 129)	(4 204 104)	(655 633)	(8 529 310)	**3 265 482**	**(47 898 694)**
Operating profit/(loss)	14 186 926	4 889 957	3 422 276	(691 003)	**(3 981 254)**	**17 826 902**
Share of loss of associates	-	-	302 654	209 635	**-**	**512 289**
Net finance (costs)/income	(587 655)	(257 678)	59 135	(2 559 372)	**188 073**	**(3 157 497)**
Profit/(loss) before income tax	**13 599 271**	**4 632 279**	**3 784 065**	**(3 040 741)**	**(3 793 180)**	**15 181 694**
Total assets as at 31 December 2018	**48 378 718**	**100 574 106**	**-**	**71 062 278**	**(64 791 056)**	**155 224 046**
Total assets include:						
Property and equipment	24 131 483	63 387 105	-	2 545 696	**(1 110 119)**	**88 954 165**
Goodwill	8 261 050	-	-	-	**-**	**8 261 050**
	32 392 533	**63 387 105**	**-**	**2 545 696**	**(1 110 119)**	**97 215 215**
Total liabilities as at 31 December 2018	**28 689 696**	**9 771 506**	**-**	**32 440 169**	**(17 422 008)**	**53 479 363**
Year ended 31 December 2017						
Revenue						
- external customers	51 827 232	2 161 573	1 880 963	2 716 946	-	**58 586 714**
- internal customers	-	2 970 210	-	-	(2 970 210)	**-**
	51 827 232	**5 131 783**	**1 880 963**	**2 716 946**	**(2 970 210)**	**58 586 714**
Cost of sales and other related costs	(15 444 453)	-	(2 343 465)	(1 343 203)	-	**(19 131 121)**
Gross profit	**36 382 779**	**2 161 573**	**(462 502)**	**1 373 743**	**-**	**39 455 593**
Operating expenses	(31 022 450)	(2 919 369)	(1 118 175)	(7 437 786)	2 241 340	**(40 256 440)**
Operating profit/(loss)	6 905 535	4 228 147	(1 388 913)	(11 786 329)	391 527	**(1 650 033)**
Share of profit/(loss) of associates	-	-	829 745	615 289	(1 557 766)	**(112 732)**
Net finance costs/(income)	(1 046 123)	(327 280)	128 998	(3 165 296)	167 635	**(4 242 066)**
Profit/(loss) before tax	5 859 412	3 900 867	(430 170)	(14 336 336)	(998 604)	**(6 004 831)**
Total assets as at 31 December 2017	**39 226 663**	**97 987 352**	**5 926 758**	**78 456 611**	**(64 813 081)**	**156 784 303**
Total assets include:						
Property and equipment	21 284 122	63 326 245	144 583	4 063 741	(379 870)	**88 438 821**
Goodwill	8 261 050	-	-	-	-	**8 261 050**
	29 545 172	**63 326 245**	**144 583**	**4 063 741**	**(379 870)**	**96 699 871**
Total liabilities	**27 717 942**	**10 400 553**	**2 778 061**	**46 118 311**	**(15 856 886)**	**71 157 981**

		2018 US$	2017 US$
7	**EARNINGS PER SHARE**		
7.1	Basic earnings/(loss) per share	6.18	(14.68)
7.2	Diluted earnings/(loss) per share (cents)	6.18	(14.68)
7.3	Headline loss per share	(3.14)	(14.22)
7.4	Diluted headline loss per share	(3.14)	(14.22)
7.5	**Reconciliation of earnings used in calculating earnings per share**		
	Earnings/(losses) attributable to owners of parent	4 951 126	(11 099 520)
	Adjusted to headline earnings as follows:		
	Loss from disposal of subsidiary (note 11.1)	947 341	-
	Fair value gain on reclassification of investment in associate to financial assets held at fair value through profit or loss (note 8.1)	(4 082 299)	-
	Profit from disposal of investment in associate (note 8.2)	(3 005 626)	-
	Fair value (gain)/loss on investment property	(949 580)	384 502
	(Profit)/loss from disposal of property and equipment	(830 329)	203 751
	Loss from disposal of investment investment property	5 000	-
	Impairment of property and equipment	-	44 400
	Tax effect of headline earnings adjustments	244 517	(110 442)
	Total non-controlling effect of adjustments	267 324	(175 457)
	Headline losses attributable to owners of parent	**(2 513 057)**	**(10 752 766)**

		NUMBER 2018	NUMBER 2017
7.6	**Weighted average number of shares in issue**		
	Shares at the beginning of the year	75 625 640	863 061 948
	Share consolidation (note 7.6.1)	-	(776 755 753)
	Treasury shares (note 7.6.2)	-	(10 680 555)
	Derecognition of treasury shares (note 7.6.2)	1 937 037	-
	Issue of shares for cash**	2 511 588	-
	Shares at the end of the year	**80 074 265**	**75 625 640**
	Weighted average number of shares for basic earnings per share	80 074 265	75 625 640
	Weighted average number of shares for diluted earnings per share	80 074 265	75 625 640
	Number of shares in issue	88 577 546	75 625 640

** - *During October 2018 the Company issued 10 046 350 new ordinary shares for cash proceeds of US$4 553 415 to a new investor.*

7 EARNINGS PER SHARE (CONTINUED)

7.6 Weighted average number of shares in issue (continued)

7.6.1 Share consolidation

In preparation for Brainworks Limited listing on the Johannesburg Stock Exchange in 2017, the Company consolidated the number of shares in issue on the basis of 1 new share for every 10 previously held and the shares were converted to shares of no par value, resulting in the creation of stated capital.

7.6.2 Treasury shares

The treasury shares relate to shares in Brainworks Limited ("the Company") which are held by Brainworks Capital Management (Private) Limited ("BCM"). BCM is a wholly owned subsidiary of the Company. All the treasury shares are held through a nominee company called Adcone Holdings SA ("the Nominee").

7 775 000 of the treasury shares arose from a 2015 Group re-organisation exercise which culminated in Brainworks Limited being the ultimate holding company, owning all the issued shares in BCM. BCM had hitherto been the holding company, holding all the issued shares of the Company. To achieve the Group re-organisation, the shareholders of BCM gave up their shares in BCM to Brainworks Limited as consideration, for which in return they received an equivalent number of shares with the same rights in Brainworks Limited.

At the time of the Group re-organisation, BCM had 7 775 000 of its own ordinary shares held as treasury shares, which shares were given up to Brainworks Limited. As consideration, BCM was issued with 7 775 000 ordinary shares in Brainworks Limited, which shares BCM holds through the Nominee. The additional 2 905 556 which existed as at 31 December 2017 were acquired in January 2017 from the former Chief Executive Officer of the Company, in exchange for a receivable which was held by BCM.

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

		2018 US$	2017 US$
7.7	**Net asset value per share**		
	Net assets (excluding non-controlling interests ("NCI"))	63 067 655	51 475 067
	Number of ordinary shares in issue	88 577 546	75 625 640
	Net asset value per share (cents)	**71.20**	**68.07**
7.8	**Net tangible asset value per share**		
	Net tangible assets	53 005 506	41 718 074
	Number of ordinary shares	88 577 546	75 625 640
	Net asset value per share (cents)	**59.84**	**55.16**
	Reconciliation of net asset to net tangible assets		
	Net assets (excluding NCI)	**63 067 655**	**51 475 067**
	Non-tangible assets	(10 062 149)	(9 756 993)
	Goodwill	(8 261 050)	(8 261 050)
	Deferred tax assets	(1 801 099)	(1 343 037)
	Other intangible assets	-	(152 906)
	Net tangible assets	**53 005 506**	**41 718 074**

8 INVESTMENT IN ASSOCIATES

8.1 Disposal of investment in associate

During December 2017, the Group disposed of 163 769 298 of its shares ("the Shares") held in GetBucks Microfinance Bank ("GetBucks") for a total consideration of US$5 453 518 ("the Transaction") to related parties as defined by the JSE Listing Requirements. 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 Requirements prescribed that the Transaction be approved by the shareholders of the Company.

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 is as follows:

	2018 US$	2017 US$
Balance as at the beginning of the period	4 370 066	3 276 024
Additional investment in GetCash	-	1 489 952
Share of profit/(loss) of associate	512 289	(112 732)
Dividends paid	(149 836)	(283 178)
Equity accounted carrying amount of total investment before the Transaction	**4 732 519**	**4 370 066**
Disposal in terms of the Transaction	(2 272 507)	-
Equity accounted carrying amount of remaining investment	**2 460 012**	**4 370 066**
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 9)	(6 542 311)	-
Balance as at the end of the period	**-**	**4 370 066**

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.

8 INVESTMENT IN ASSOCIATES (CONTINUED)

8.2 Profit from disposal of associate

The statement of comprehensive income for the year ended 31 December 2018 includes profit of US$3 005 626 realised from the disposal of the equity investment in GetBucks as disclosed above. The profit has been caluclated as follows:

	2018 US$
Cash consideration received	5 453 518
Transaction costs	(175 385)
Net proceeds	**5 278 133**
Equity carrying amount of investment portion sold (note 8.1)	(2 272 507)
Profit on disposal of associate (included in "Other income")	**3 005 626**

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 US$	2017 US$
Balance as at the beginning of the year	**3 139 091**	**4 892 962**
Purchases of treasury bills	-	435 680
Transfer from investment in associates (GetBucks ordinary shares) (note 8.1)	6 542 311	-
Fair value gains/(losses)	979 561	(2 189 551)
Disposals	(8 015 004)	-
MyBucks ordinary shares	(4 645 497)	-
Sale of GetBucks ordinary shares after reclassification from investment in associate (9.2)	(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 9.1)	(269 646)	-
Derecognition of financial assets at fair value through profit or loss on disposal of subsidiary (note 11.2)	(2 220 540)	-
Balance as at the end of the year	**-**	**3 139 091**
As at the end of the year:		
Financial assets at fair value through profit or loss comprise of the following:		
MyBucks ordinary shares	-	2 459 174
Treasury bills	-	679 917
	-	**3 139 091**

9.1 Settlement of interest through delivery of GetBucks ordinary shares

As noted in note 8.1, 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 ordinary 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. The GetBucks ordinary shares given up were derecognized at their aggregate fair value of US$269 646.

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

9.2 Other disposal of GetBucks ordinary shares

Subsequent to the reclassification of the investment in GetBucks ordinary shares from investment in associate to financial assets at fair value through profit or loss, the Group disposed of 91 067 769 GetBucks 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. 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".

10 FAIR VALUE MEASUREMENTS

10.1 Fair value measurements

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

10.2 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 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.

10 FAIR VALUE MEASUREMENTS (CONTINUED)

10.2 Fair value hierarchy (continued)

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels as follows:

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Recurring fair value measurements as at 31 December 2018				
Financial assets				
Financial assets at fair value through profit or loss:				
- Zimbabwe Stock Exchange listed equity securities	-	-	-	**-**
Recurring fair value measurements as at 31 December 2017				
Financial assets				
Financial assets at fair value through profit or loss:				
- Frankfurt Stock Exchange listed equity securities	2 459 224	-	-	2 459 224
- Treasury bills	-	-	679 867	679 867
Total	**2 459 224**	**-**	**679 867**	**3 139 091**

The Group did not have any financial assets at fair value through profit or loss as at 31 December 2018.

10.3 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year ended 31 December 2018.

	TREASURY BILLS	
	2018 US$	**2017 US$**
At the beginning of the period/year	**679 867**	**155 730**
Treasury bills - purchased during the year	-	435 630
Treasury bills - matured during the year	(155 773)	-
Fair value gain recognised	-	88 507
Derecognition on disposal of subsidiary (note 11.2)	(524 094)	-
Balance at the end of the year*	**-**	**679 867**

** the year end balance is included in "financial assets at fair value through profit or loss" on the statement of financial position.*

11 DISPOSAL OF A SUBSIDIARY

On 30 June 2018, the Group sold 100% of its ordinary shares 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.

		2018 US$
11.1	**Loss on sale of subsidiary**	
	Consideration received	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)	7 150 531
	Loss on disposal	**(947 341)**

* - As at the date of disposal of the ordinary shares in GetSure, the Group owed GetSure US$4 319 343 through 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 accepted the arrangement and considered the Group›s indebtness to GetSure full settled.

11.2 Net assets sold on disposal of subsidiary

The carrying amount of assets and liabilities as at the date of disposal (30 June 2018) 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 COMMITMENTS

		2018 US$	2017 US$
12.1	**Capital commitments**		
	Authorized and contracted for	194 664	191 540
	Authorised and not contracted for	16 760 061	6 130 272
		16 954 725	**6 321 812**

Capital commitments relate to acquisition of hotel equipment, as well as property development. These expenditures are expected to be financed through a combination of debt and internally generated cashflows.

12 COMMITMENTS (CONTINUED)

12.2 Operating lease commitments

The Group leases some of its hotels in Zimbabwe under operating lease agreements. The lease terms are between 5 and 15 years, and all the lease agreements are renewable at the end of the lease period at market rates. The estimated undiscounted future minimum lease payments under the operating leases, based on fixed monthly lease payments, are as follows:

	2018 US$	2017 US$
Not later than 1 year	2 002 475	1 461 564
Later than 1 year and not later than 5 years Later than 5 years	6 580 324	5 846 256
Later than 5 years	13 013 702	1 461 564
	21 596 501	**8 769 384**

13 MATERIAL RELATED PARTY TRANSACTIONS

13.1 Loan from a related party

Included in the current portion of the borrowings as at 31 December 2018 is an amount of US$2.7 million (2017: US$2.5 million) due to Mr. Christopher Rokos which was advanced to the Company in December 2017. The loan, which is unsecured, bears interest at 15% per annum and is repayable on demand.

Mr. Rokos has an indirect beneficial shareholding in the Company.

13.2 Disposal of investment in associate to entities associated with former non-executive directors

On 4 May 2019, the Group completed the sale of some of the ordinary shares previously held in GetBucks to entities associated with Mr. G. Manyere and Mr. W. Kambwanji. Refer to note 8.1 for further disclosures Mr. G. Manyere and Mr. W. Kambwanji were previously non-executive directors of the Company who both resigned from the Board on 31 January 2018.

14 EVENTS AFTER THE REPORTING DATE

14.1 Disposal of equity interest in Corporeti Support Services (Private) Limited t/a GetCash

On February 2019, the Group sold its remaining 49% equity interest in GetCash for US$1. The Group's investment in GetCash had fully been impaired in the prior years. In terms of the purchase agreement, the Group agreed to take over the repayment of the a loan of US$611 747 which GetCash held with a local financial institution as at the disposal date, on a back to back arrangement where each amount repaid would constitute a loan due from GetCash. The loan ultimately due from GetCash, which is guaranteed by the Buyer, would bear interest at 5% compounded annually and is repayable within 5 years.

14.2 Currency pronouncements in Zimbabwe

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

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

14 EVENTS AFTER THE REPORTING DATE

14.2 Currency pronouncements in Zimbabwe (continued)

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

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

This development marked the second phase of currency reform pronouncements.

Impact of Zimbabwean currency developments on Group financial reporting

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

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

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

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

14 EVENTS AFTER THE REPORTING DATE (CONTINUED)

14.2 Currency pronouncements in Zimbabwe (continued)

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

An alternative way of accounting for these changes that complies with IFRS was to use the Old Mutual Implied Rate ("OMIR") for conversion of RTGS FCA denominated numbers to the US$. Though this approach would be IFRS compliant, this would result in non compliance with the laws and regulations of Zimbabwe, prior to the introduction of the RTGS dollar as at 22 February 2019.

The OMIR rate on 1 October 2018 stood at 2.731 and closed at 5.075 as at 31 December 2018. Post the introduction of the interbank maket for trading foreign currency, the RTGS dollar traded at 2.5 to the US$ in February and was on average trading at 3.2 to the US$ in April 2019.

Based on the foregoing, the functional and presentation currency of all the subsidiaries in the Group given that they are all incorporated and domiciled in Zimbabwe, would change from the US$ to the RTGS dollar with effect from 22 February 2019. However, the Company, being domiciled and incorporated in Mauritius, would continue to adopt the US$ as its functional and presentation currency for the purposes of preparation of the consolidated financial statements.

Estimated financial impact of the pronouncements

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

14 EVENTS AFTER THE REPORTING DATE (CONTINUED)

14.2 Currency pronouncements in Zimbabwe (continued)

Estimated financial impact of the pronouncements (continued)

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

Sensitivity analysis - statement of financial position

	Monetary assets/ liabilities RTGS$	Monetary assets/ liabilities US$	Non monetary assets/ liabilities RTGS$	Non monetary assets/ liabilities US$	Total USD 1:1	US$ on translation of RTGS$ at different exchange rates Sensitivity analysis 1: 2.5	1: 3.0	1: 3.5
Assets								
Non current assets								
Property and equipment	-	-	24 190 989	64 763 176	88 954 165	74 439 572	72 826 839	71 674 887
Investment property	-	-	-	23 551 754	23 551 754	23 551 754	23 551 754	23 551 754
Intangible assets	-	-	8 261 050	-	8 261 050	3 304 420	2 753 683	2 360 300
Deferred tax assets	-	-	1 801 099	-	1 801 099	720 440	600 366	514 600
Other non-current assets	2 685 774	-	227 995	-	2 913 769	1 165 508	971 256	832 505
	2 685 774	**-**	**34 481 133**	**88 314 930**	**125 481 837**	**103 181 694**	**100 703 898**	**98 934 046**
Current assets								
Inventories	-	-	5 362 465	-	5 362 465	2 144 986	1 787 488	1 532 133
Trade and other receivables	5 965 696	2 051 369	-	-	8 017 065	4 437 647	4 039 934	3 755 854
Cash and cash equivalents	9 657 354	6 705 325	-	-	16 362 679	10 568 267	9 924 443	9 464 569
	15 623 050	**8 756 694**	**5 362 465**	**-**	**29 742 209**	**17 150 900**	**15 751 865**	**14 752 556**
Total assets	**18 308 824**	**8 756 694**	**39 843 598**	**88 314 930**	**155 224 046**	**120 332 594**	**116 455 763**	**113 686 602**
Liabilities								
Non-current liabilities								
Borrowings	4 174 081	-	-	-	4 174 081	1 669 632	1 391 360	1 192 595
Deferred tax liabilities	-	-	9 737 274	-	9 737 274	3 894 910	3 245 758	2 782 078
Other liabilities	296 406	-	-	-	296 406	118 562	98 802	84 687
	4 470 487	**-**	**9 737 274**	**-**	**14 207 761**	**5 683 104**	**4 735 920**	**4 059 360**
Current liabilities								
Borrowings	5 675 305	7 217 220	-	-	12 892 525	9 487 342	9 108 988	8 838 736
Trade and other payables	17 972 337	7 805 169	-	-	25 777 506	14 994 104	13 795 948	12 940 122
Deferred lease income	30 868	-	-	-	30 868	12 347	10 289	8 819
Current income tax liabilities	563 796	6 907	-	-	570 703	232 425	194 839	167 992
	24 242 306	**15 029 296**	**-**	**-**	**39 271 602**	**24 726 218**	**23 110 064**	**21 955 669**
Total liabilities	**28 712 793**	**15 029 296**	**9 737 274**	**-**	**53 479 363**	**30 409 322**	**27 845 984**	**26 015 029**
Net assets	**(10 403 969)**	**(6 272 602)**	**30 106 324**	**88 314 930**	**101 744 683**	**89 923 272**	**88 609 779**	**87 671 573**

14 EVENTS AFTER THE REPORTING DATE (CONTINUED)

14.2 Currency pronouncements in Zimbabwe (continued)

Sensitivity analysis - revenue

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

	9 months 30 September 2018 US$	3 months 31 December 2018 US$	3 months 31 December 2018 RTGS$	Year ended 31 December 2018 Total US$ 1:1	Total US$ 1:2.5	US$ equivalent on translation of RTGS$ amount at different exchange rates Total US$ 1:3.0	Total US$ 1:3.5
Revenue							
- Hotel operations revenue	44 442 603	7 731 968	15 996 249	**68 170 820**	58 573 071	57 506 654	56 744 928
- Casino and gaming revenue	191 711		136 880	**328 591**	246 463	237 338	230 820
- Gross premiums	1 142 654	-	-	**1 142 654**	1 142 654	1 142 654	1 142 654
- Fuel transportation logistics	2 021 683	480 073	52 094	**2 553 850**	2 522 594	2 519 121	2 516 640
- Rental income	324 778	-	-	**324 778**	324 778	324 778	324 778
- Timeshare sales	22 831	-	-	**22 831**	22 831	22 831	22 831
- Property development sales	4 400 000	-	-	**4 400 000**	4 400 000	4 400 000	4 400 000
- Valuation and consultation services	579 273	-	-	**579 273**	579 273	579 273	579 273
- Fee and commission income	1 773 925	-	-	**1 773 925**	1 773 925	1 773 925	1 773 925
	54 899 458	**8 212 041**	**16 185 223**	**79 296 722**	**69 585 589**	**68 506 574**	**67 735 849**

Potential inflationary increase in cost of sales was contained as the Group directly imports a significant amount of input to manage cost of sales. In that regard, the increase in cost of sales of 24% relative to the prior year was mainly in response increase in volumes as evidenced by better occupancy, rather than inflationary pressure.

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

For the purpose of the sensitivity analysis above, monetary and non-monetary assets (except property and equipment, investment property and cash and cash equivalents) and all liabilities arising from Zimbabwean based contracts and transactions, the Group has assumed that the carrying amounts of those assets would be realised in RTGS dollar and all the liabilities would be settled in RTGS dollar, in accordance with SI 33.

Cash and cash equivalents were classified based on whether these amounts were held as being Nostro FCA or RTGS FCA as at the reporting date.

All hotel properties that are classified under property and equipment as well as other assets classified under investment property were designated as US$ based as the valuation has always been done on the basis of the US$, without inference to the RTGS dollar. All other PPE items were considered to be RTGS dollar based.

15 CONTINGENT LIABILITIES

Tax claims against Brainworks Capital Management (Private) Limited

The Group is defending tax claims from the Zimbabwe Revenue Authority ("ZIMRA") arising from assessments issued by ZIMRA to Brainworks Capital Management (Private) Limited ("Brainworks Capital") in relation to Value Added Tax, Pay As You Earn, Income Tax and Withholding Tax. The total claim of US$20.93 million comprises aggregate principal amounts, penalties and interest of US$10.75 million and US$10.18 million respectively. Based on advise from its tax consultants and legal counsel, Brainworks Capital has filed an appeal against the dismissal of its objections by ZIMRA with the relevant tax courts in Zimbabwe.

Of the total claim above, tax and legal experts have advised that Brainworks Capital could be liable for the payment of PAYE claims of US$1.7 million. As a result, the Group has recognised a provision thereof in its financial statements for the year ended 31 December 2018.

16 GOING CONCERN

As at 31 December 2018, the Group's current liabilities exceeded its current assets by US$13.2 million (2017: US$19.3 million). Loans obligations that fall due within the next 12 months amounted to US$12.9 million; US$9.2 million of which was jointly due by Brainworks Capital Management (Private) Limited and Brainworks Limited. The balance of US$3.7 million was held at the operating subsidiaries level.

In spite of the working capital still being negative as at 31 December 2018, the current position reflects notable improvement relative to the negative working capital position of US$19.3 million as at 31 December 2017. This is due to the fact that the Company raised US$4.6 million cash in capital during the year and the capital proceeds were predominantly deployed towards loan repayments and creditors by the Company. In addition, the Group further reduced its debt exposure through a number of transactions which resulted in reduction of Group debt from US$38.3 million as at 31 December 2017 to US$17.1 million as at the reporting date.

The Company is still working on further raising equity capital through a rights offer, which is expected to be completed in the first half of 2019. In addition, Brainworks Limited is also working on further restructuring its debt. The Board is confident that these initiatives would enable the Group to fully discharge its obligations as they fall due.

17 DIVIDEND

No dividend was declared by the Company during the year.

NOTICE OF ANNUAL GENERAL MEETING

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, Level 2 Alexander House, Silicone Avenue, Ebène Cybercity 72201, Republic of Mauritius, on Friday the 28th of June 2019 at 15:00 (GMT +4).

The Board has determined that the following dates in respect of the AGM:

Record date that a shareholder must be recorded as a shareholder in the Company's register of shareholder in the Company's register of shareholders in order to receive notice of the AGM	Thursday, 18 April 2019
Last day to trade in order to be eligible to participate and vote at the AGM	Tuesday, 18 June 2019
Record date in order to participate and vote at the AGM	Friday, 21 June 2019