

# BRAINWORKS CAPITAL

A PRIVATE EQUITY INVESTMENT AND ADVISORY FIRM PRIMARILY FOCUSED ON ZIMBABWE

30 JUNE 2013

INTERIM FINANCIAL REPORT

## VALUES STATEMENT

We abide by the set of values listed below which we believe to be pivotal to our success.

### INTEGRITY

We strive to provide services to stakeholders with the highest levels of integrity. This is essential to achieving the shared goal of creating value for all stakeholders.

### RESPECT

We believe in respect amongst team members and for all stakeholders thereby creating lasting relationships.

### EXCELLENCE AND INNOVATION

We believe that excellence in execution is critical in the quest to create long-term value for investors.

### TEAMWORK

We have a team of professionals that have strong experience in their areas of expertise. In order for the Company and its stakeholders to benefit from this wide skill set, management and staff work as a team to create long-term value.

### SHARING

We believe in broad-based and transparent sharing of value created from the Company's investment activities through various ways. Beneficiaries include the Company's shareholders, directors and employees, government and local communities.

|                                       |    |
|---------------------------------------|----|
| LETTER TO SHAREHOLDERS                | 03 |
| DIRECTORATE                           | 12 |
| 2013 INTERIM FINANCIAL REPORT         |    |
| INDEPENDENT AUDITOR'S REPORT          | 17 |
| STATEMENT OF FINANCIAL POSITION       | 18 |
| STATEMENT OF COMPREHENSIVE INCOME     | 19 |
| STATEMENT OF CASH FLOWS               | 20 |
| STATEMENT OF CHANGES IN EQUITY        | 21 |
| NOTES TO THE INTERIM FINANCIAL REPORT | 22 |

## DEAR SHAREHOLDERS

We are pleased to present the interim financial report of Brainworks Capital Management (Private) Limited ("the Company") for the half year ended 30 June 2013.

The first half of 2013 was characterised by anxiety associated with pre-election periods in relation to the watershed elections, whose timetable was largely unknown until declaration in May 2013 with the elections eventually held on 31 July 2013. Consequently, during the period there was not much scope for advisory activity and focus was on the completion of the Pre-IPO Private Placement Memorandum. In general the following milestones were achieved during the first half of 2013:

- The Company acquired 31.82% shareholding in African Sun Limited through a swap of shares with Nhaka Trust;
- A foreign investor was secured for FML Oil Company of Zimbabwe (Private) Limited (FML Oil Company) with Union African Special Investment Limited, subscribing for 49% shareholding in FML in a deal that was approved by the Reserve Bank Exchange Control on 3 September 2013;
- A foreign investor, Red Rock Capital, subscribed for 16.41% of the Company, injecting a total of US\$ 6 million dollars into the Company; and
- The total funding raised from the Pre-IPO Private Placement was US\$ 14.9 million in the Company and an additional US\$ 2 million into FML Oil Company as at 30 June 2013 when the Private Placement was closed.

## OVERVIEW OF THE ZIMBABWE ECONOMIC ENVIRONMENT

The operating environment did not significantly change from the conditions experienced in 2012 and was largely characterized by:

- Liquidity challenges;
- Lack of tradable financial instruments;
- Absence of an active interbank market; and
- The continued absence of the lender of last resort function of the Central Bank.

Broad money supply was US\$ 4.4 billion in May 2013, unchanged from December 2012, while total loans increased by 3% during the same period to US\$ 3.6 billion. Deposits remained predominantly short term, restricting the ability of banking institutions to avail long term funding to the productive sectors of the economy. Banks' lending rates have fallen as a result of a decrease in the rate of inflation as well as the impact of the Memorandum of Understanding entered into by the Reserve Bank of Zimbabwe and the Zimbabwe Banking sector on bank charges and interest rates.

In the mid-term fiscal policy statement presented on 25 July 2013, the Ministry of Finance revised the 2013 Gross Domestic Product (GDP) growth forecast of the economy from 5% to 3.4% due to under-performance in the agricultural and mining sectors. Growth in both sectors continues to be affected by the deeper global downturn in the price of base minerals and a generally stagnant domestic business climate. The global economic slowdown will negatively impact the country's export revenues, particularly for some primary commodities. Funding challenges, low product demand and obsolete machinery continue to have a negative impact on productive sector capacity utilization levels. Notwithstanding these challenges, inflationary pressures have been kept under control with the June 2013 annual inflation rate dropping to 1.87% from 2.9% in December 2012 and 3.9% in the period to 30 June 2012.

The medium to long term prospects for improvement in the economic environment remain linked to developments in base metal prices, international oil prices, US\$/ZAR exchange rate, import tariffs and the level of aggregate demand in the economy.

## OUR PLATFORM

The Company's long-term investment perspective emphasises capital growth and as such the portfolio of investments is geared towards the achievement of this objective.

The Company's business activities are grouped into two main categories:

1. Proprietary Private Equity Investments; and
2. Advisory Services.

### 1. PROPRIETARY PRIVATE EQUITY INVESTMENTS

All the proprietary investments of the Company are currently in Zimbabwe where investments are primarily financial services and commodities related. The targeted Internal Rate of Return of 30% on investments over an investment holding period of between three to five years guides our investment assessment and portfolio management processes.

## BANKING SECTOR

**Investee Company:** ECOBANK ZIMBABWE LIMITED ("ECOBANK" OR "THE BANK")

### JUNE 2013 INTERIM PERFORMANCE HIGHLIGHTS

Ecobank has grown its total revenue by 70% compared to 30 June 2012, on the back of increased trade finance activities, reduced cost of funds and an increased customer base driven by a wider network of branches and ATMs. The Bank continues to pursue a growth strategy buttressed by increased investment in human capital and distribution channels. The pursuit of this strategy has resulted in the Bank's operating costs rising by 36% to 30 June 2013. Profit before tax of US\$ 1.2 million for the six months to 30 June 2013 is a marked improvement from the break-even position reported in June 2012.

Total assets reached US\$ 120.2 million, up 15% on the December 2012 position. The following are the drivers of the profitability and growth that the Bank has enjoyed during the period to 30 June 2013:

- Increased interest income driven by improved risk asset selection, a growing customer deposit base and enhanced credit lines, mobilized from the Ecobank Group.
- Lower cost of funds aided by an increased contribution from low-interest bearing deposits. In addition to continuing with efforts to diversify the Bank's deposit base, special emphasis was placed on developing the value chain (employees, suppliers and distributors) of our regional corporate, multinational and public sector clients to improve both our low-cost deposit mobilisation and cross-sell ratio.
- Ecobank's customer base has continued to grow in response to a more diversified product offering and a wider distribution network of branches and electronic banking channels. This has impacted positively on fee and commission earnings from transactional banking activities.
- Greater support via credit lines to the tune of US\$ 50.5 million from the Ecobank Group, resulting in increased capacity to provide innovative trade finance solutions through self-liquidating contingent financing structures. These transactions have significantly enhanced the Bank's non-interest revenue streams while preserving balance sheet liquidity.
- The Bank also benefited from an injection of US\$ 8 million as additional capital into the Bank during the period, to bring the total capital position to US\$ 39.6 million as at 30 June 2013. This was a significant step towards meeting the Central Bank's revised capitalization thresholds for commercial banks in Zimbabwe. As at the reporting date, Ecobank was compliant with the minimum capital requirements of the Reserve Bank of Zimbabwe.

Ecobank Zimbabwe's board of directors is comprised of the following members:

| NAME OF DIRECTOR                       | NATIONALITY | TYPE OF DIRECTORSHIP   |
|--|-------------|------------------------|
| David Whatman                          | Zimbabwean  | Non-Executive Chairman |
| Evelyn Tall                            | Senegalese  | Non-Executive Director |
| Richard Chimuka                        | Zimbabwean  | Non-Executive Director |
| Fortune Chisango                       | Zimbabwean  | Non-Executive Director |
| Lloyd Mhishi                           | Zimbabwean  | Non-Executive Director |
| Daniel Sackey                          | Ghanaian    | Managing Director      |
| Walter Kambwanji (Alt. George Manyere) | Zimbabwean  | Non-Executive Director |

The shareholding structure of Ecobank Zimbabwe is as follows:

|                                    |       |
|------------------------------------|-------|
| Ecobank Transnational Incorporated | 70%   |
| Brainworks Capital Management      | 29.4% |
| Ecobank Staff Share Trust          | 0.6%  |

## INSURANCE SECTOR

Investee Company: BRAINWORKS LIFE ASSURANCE COMPANY OF ZIMBABWE LIMITED  
("BRAINWORKS LIFE")

## PROGRESS UPDATE

The life assurance licence remains pending as the application submitted to the Insurance and Pensions Commission has not yielded a conclusive response yet. We are hopeful that we will satisfactorily address all the requirements and be licensed.

Brainworks Life board of directors is comprised of the following members:

| NAME OF DIRECTOR         | NATIONALITY   | TYPE OF DIRECTORSHIP   |
|--------------------------|---------------|------------------------|
| Vulindlela Ndlovu        | Zimbabwean    | Non-Executive Chairman |
| Alwyn Scholtz            | South African | Non-Executive Director |
| Cornel Vermaak           | South African | Non-Executive Director |
| Dirk Harbecke            | German        | Non-Executive Director |
| NanaAma Botchway-Dowuona | Ghanaian      | Non-Executive Director |
| George Manyere           | Zimbabwean    | Non-Executive Director |
| Walter Kambwanji         | Zimbabwean    | Non-Executive Director |
| Wayne Waterworth         | Zimbabwean    | Non-Executive Director |

Brainworks Life Assurance Company of Zimbabwe is 100% owned by **Brainworks Capital Management (Private) Limited**.

## CONSUMER FINANCE SECTOR

Investee Company: GETBUCKS FINANCIAL SERVICES ZIMBABWE LIMITED ("GET BUCKS ZIMBABWE")

### JUNE 2013 INTERIM PERFORMANCE HIGHLIGHTS

As at 30 June 2013 a total of US\$ 2 million had been disbursed in payroll based loans mainly to civil servants, while branches had been opened in Harare, Bulawayo, Mutare, Chinhoyi, Marondera, Masvingo and Bindura. In addition to the Government deduction code, more private payrolls have been signed up and management are targeting to grow that number further. A total of 4 400 customers had been served loan amounts ranging from US\$ 100 to US\$ 5 000. Get Bucks Zimbabwe achieved a profitable position from March 2013, and with further loan growth, profitability will be enhanced.

GetBucks Zimbabwe's board of directors is comprised of the following members:

| NAME OF DIRECTOR  | NATIONALITY   | TYPE OF DIRECTORSHIP   |
|-------------------|---------------|------------------------|
| Richard Muirimi   | Zimbabwean    | Non-Executive Chairman |
| Vulindlela Ndlovu | Zimbabwean    | Non-Executive Director |
| Johan Jonck       | South African | Non-Executive Director |
| Dave van Niekerk  | South African | Non-Executive Director |
| Gerrie Fourie     | South African | Executive Director     |
| Daniel Jonck      | South African | Non-Executive Director |
| George Manyere    | Zimbabwean    | Non-Executive Director |
| Walter Kambwanji  | Zimbabwean    | Executive Director     |

The shareholding structure of GetBucks Zimbabwe is as follows:

|                               |     |
|-------------------------------|-----|
| GetBucks Limited              | 55% |
| Brainworks Capital Management | 40% |
| Other                         | 5%  |

## GOLD EXPLORATION AND MINING SECTOR

Investee Company: BCM GOLD (PRIVATE) LIMITED ("BCM GOLD")

There was not much activity during the six months as we adopted a wait and see approach in relation to the political situation. Government has reviewed the mining fees and there has been a general reduction in the applicable fees of about 20%. The gold price has recovered slightly this year and is expected to increase, although erratically, to over US\$ 1,400 per oz this year as depicted in the graph below:



With the Zimbabwe elections now done and a new Government about to be formed we anticipate clarity of policy in the mining sector going forward.

BCM Gold's board of directors is comprised of the following members:

| NAME OF DIRECTOR | NATIONALITY | TYPE OF DIRECTORSHIP    |
|------------------|-------------|-------------------------|
| George Manyere   | Zimbabwean  | Non-Executive Chairman  |
| Walter Kambwanji | Zimbabwean  | Non-Executive Director  |
| Timothy Nuy      | Dutch       | Non-Executive Director  |
| Peter Bourhill   | Zimbabwean  | Executive Director      |
| Wayne Waterworth | Zimbabwean  | Chief Executive Officer |

BCM Gold is 100% owned by **Brainworks Capital Management (Private) Limited**.

## OIL DISTRIBUTION AND STORAGE SECTOR

**Investee Company:** FML OIL COMPANY OF ZIMBABWE (PRIVATE) LIMITED ("FML OIL COMPANY")

### JUNE 2013 INTERIM PERFORMANCE HIGHLIGHTS

FML Oil Company undertook consignment fuel trading for various supplies including South African and local fuel suppliers. This enabled it to refine its systems and processes for trading. During the period, these trades involved consignments of paraffin, liquefied petroleum gas, diesel and petrol. Going forward, FML Oil Company will focus on fuel logistics, gas and paraffin trading.

A foreign investor, Union African Special Investment Limited (UASIL), an investment vehicle owned by Quadrant Capital, has injected US\$ 2 million into the business for a 49% shareholding. US\$ 1.35 million of the US\$ 2 million is in the form of preference shares redeemable after 31 December 2014. As part of this investment, Brainworks Capital Management (Private) Limited converted US\$ 308 000 of the amount that had been advanced to FML Oil Company to match the foreign investment and ensure that Brainworks retains 51% shareholding in FML. This will enhance FML Oil Company's capacity. The approval for this investment was obtained from the Reserve Bank of Zimbabwe Exchange Control Authority on 3 September 2013.

FML will increase its logistics capacity from the current 2 fuel tankers to 10 tankers to take advantage of opportunities in this sector. Suitable premises are being sought to house the logistics and LPG trading business, and to ensure that appropriate infrastructure is in place to run this business professionally and profitably.

FML Oil's board of directors is comprised of the following members:

| NAME OF DIRECTOR  | NATIONALITY | TYPE OF DIRECTORSHIP   |
|-------------------|-------------|------------------------|
| Vulindlela Ndlovu | Zimbabwean  | Chairman               |
| George Manyere    | Zimbabwean  | Non-Executive Director |
| Walter Kambwanji  | Zimbabwean  | Non-Executive Director |
| Wayne Waterworth  | Zimbabwean  | Non-Executive Director |
| Cyril Moyo        | Zimbabwean  | Executive Director     |

FML Oil Company is 100% owned by **Brainworks Capital Management (Private) Limited**. However once Exchange control approval is obtained, 49% shareholding will be issued to the foreign investor.



**Investee Company:** PUMA ENERGY ZIMBABWE (PRIVATE) LIMITED (“PUMA ENERGY ZIMBABWE”)

## JUNE 2013 PERFORMANCE HIGHLIGHTS

We have continued to progress the fuel storage project by obtaining Environmental Management Agency (EMA) approval for the facility as well as agreeing to the Throughput and Tie in Agreement and associated fee with the Ministry of Energy. Final documentation is being processed and the board is yet to be appointed.

The shareholding structure of Puma Energy Zimbabwe is as follows:

|                                      |            |
|--------------------------------------|------------|
| <b>Puma Energy LLC</b>               | <b>70%</b> |
| <b>Brainworks Capital Management</b> | <b>30%</b> |

## 2. ADVISORY SERVICES

The Company’s advisory license was renewed by the Securities and Exchange Commission for the 2013 operating year. During the six months, advisory transactions acted on by the Company and remained open, pending Government’s determination of a way forward on these indigenisation transactions. These transactions are:

- The US\$ 971 million Zimplats Mining Company disposal of 51% shareholding to Indigenous Entities led by the Government of Zimbabwe.
- The US\$ 550 million Mimosa Mining Company disposal of 51% shareholding to Indigenous Entities led by the Government of Zimbabwe.
- The US\$ 142 million empowerment deal between Anglo American Platinum Limited and Indigenous Entities led by the Government of Zimbabwe.
- The US\$ 28 million empowerment deal between Pretoria Portland Cement and Indigenous Entities led by the Government of Zimbabwe.
- The US\$ 30 million empowerment deal between Caledonia Mining and Indigenous Entities led by the Government of Zimbabwe.

Post signing of the term sheets between the Government of Zimbabwe and various foreign owned mining companies seeking to comply with Zimbabwe’s indigenisation laws, various Government regulatory bodies could not agree on the implementation of the term sheets. The term sheets were meant to pave way for substantive agreements to be drawn up, which would have led to closure of the transactions.

The resultant evaluations of the term sheets advised by the Company led to widespread media coverage of these issues and in some cases some sections of the media attempted to turn the participation of Brainworks Capital Management (Private) Limited on these mandates into a scandal. Consequently, the Government is reviewing the term sheets as well as exploring other methods of achieving its objectives and in that regard, transactions totaling US\$ 1.8 billion in which the Company has advised, remain open. The fee that would have been earned by the Company on these transactions has not been accrued pending the determination of nature of implementation of the deals that the Government of Zimbabwe will choose.

## FINANCING

Financial strength is important to us achieving our investment objectives and in that regard, we finance our business through the following methods:

### TERM FINANCE

We raised US\$ 5 million in acquisition finance which ranges between a tenor of three years and ten years. This form of financing is useful in our business model and acts as a bridge to future share issuances.

We also accessed US\$ 7 million in short-term funding which will mature in the second quarter of the year.

## PRIVATE PLACEMENT OF NEWLY ISSUED ORDINARY SHARES

The Company undertook a private placement of shares in November 2012 targeting US\$ 30 million. As at 30 June 2013, US\$ 14.9 million had been subscribed with US\$ 8.9 million from local pension funds and institutional investors and US\$ 6 million from a foreign investor. A further US\$ 2 million was subscribed from a foreign investor, UASIL into FML OIL Company in a deal that was approved by Exchange Control on 3 September 2013.

## INITIAL PUBLIC OFFERING (IPO)

The Company is not yet listed on any stock exchange though the process to list has commenced. An offer was made by Rock Tech, a Canadian listed entity to acquire 100% of the issued share capital of Brainworks in exchange for 95% of Rock Tech. On completion of the process, Brainworks Capital Management (Private) Limited will be listed through a reverse takeover. Due diligence on both companies would need to be completed to the satisfaction of both sets of shareholders. The shareholders of Brainworks Capital Management (Private) Limited will be asked to approve the transaction which is also subject to Exchange Control approval.

## COMPLIANCE WITH ZIMBABWE'S INDIGENISATION LAWS

Through the private placement of shares undertaken during the year under review, increased broad based ownership of the Company was achieved through focus on attracting local pension funds as shareholders of the Company.

During the year, 2011, the shareholding of the Company was vetted by the Ministry of Youth Development, Indigenisation and Empowerment and was certified compliant with the indigenisation regulations. We are proud of this achievement as it positions the Company well to execute the investment model with outstanding international operating partners willing to invest in Zimbabwe in the target sectors.

## SHAREHOLDING AND BROAD-BASED LOCAL OWNERSHIP

Below is the shareholding of the Company as at 30 June 2013, which shows that the Company was 64.5% locally owned and thereby compliant with Zimbabwe's Indigenisation and Economic Empowerment Act (Chapter 14:33):

| #  | SHAREHOLDER  | # OF SHARES        | SHAREHOLDING % | NATIONALITY |
|----|--|--------------------|----------------|-------------|
| 1  | ADC Financial Services and Corporate Development             | 87,200,000         | 19.08          | Foreign     |
| 2  | Red Rock Capital   | 75,000,000         | 16.41          | Foreign     |
|    | <b>Total Foreign</b>   | <b>162,200,000</b> | <b>35.50</b>   |             |
| 3  | Zahra Investments Trust                                      | 25,000,000         | 5.47           | Indigenous  |
| 4  | Matthew Daniels Trust  | 25,000,000         | 5.47           | Indigenous  |
| 5  | TDC Investment Trust   | 15,000,000         | 3.28           | Indigenous  |
| 6  | AWT Investment Trust   | 15,000,000         | 3.28           | Indigenous  |
| 7  | Brainworks Investments Trust                                 | 10,000,000         | 2.19           | Indigenous  |
| 8  | Green Valley Investment Trust                                | 10,000,000         | 2.19           | Indigenous  |
|    | <b>Total Management</b>                                      | <b>100,000,000</b> | <b>21.89</b>   |             |
| 9  | Fintrust Pension Fund  | 67,241,425         | 14.72          | Indigenous  |
| 10 | Carnaudmetalbox Group Pension Fund                           | 9,266,667          | 2.03           | Indigenous  |
| 11 | Brainworks Capital Pension Fund                              | 485,375            | 0.11           | Indigenous  |
| 12 | PTC Self Insurance Plan                                      | 8,533,385          | 1.87           | Indigenous  |
| 13 | Comarton Preservation Fund                                   | 4,836,890          | 1.06           | Indigenous  |
| 14 | Archer Clothing Manufacturers (Private) Limited Pension Fund | 1,360,000          | 0.30           | Indigenous  |
| 15 | Christian Brothers College Pension Fund                      | 1,966,667          | 0.43           | Indigenous  |
| 16 | Comarton Consultants Pension Fund                            | 1,440,000          | 0.32           | Indigenous  |
| 17 | Jacob Bethel (Zimbabwe) Corporation Pension Fund             | 1,500,000          | 0.33           | Indigenous  |
| 18 | Brands Africa Pension Fund                                   | 1,161,329          | 0.25           | Indigenous  |
| 19 | United Styles Pension Fund                                   | 180,000            | 0.04           | Indigenous  |
| 20 | Femina Pension Fund  | 265,000            | 0.06           | Indigenous  |
| 21 | Commercial and Industrial Holdings Pension Fund              | 1,783,333          | 0.39           | Indigenous  |
| 22 | Style International Pension Fund                             | 110,000            | 0.02           | Indigenous  |
| 23 | Marathon Pension Fund  | 759,000            | 0.17           | Indigenous  |
| 24 | ZITF Pension Fund  | 800,000            | 0.18           | Indigenous  |
| 25 | Zimbabwe Agricultural Society Pension Fund                   | 500,000            | 0.11           | Indigenous  |
|    | <b>Total Pension Funds</b>                                   | <b>120,189,071</b> | <b>23.36</b>   |             |
| 26 | Spiral Farming (Private) Limited                             | 6,919,132          | 1.51           | Indigenous  |
| 27 | Comarton Consultants (Private) Limited                       | 6,866,666          | 1.50           | Indigenous  |
| 28 | Atchison Actuarial Services Company (Private) Limited        | 1,000,000          | 0.22           | Indigenous  |
| 29 | Nhaka Trust  | 77,750,000         | 17.02          | Indigenous  |
|    | <b>Total Other</b>   | <b>92,535,789</b>  | <b>20.25</b>   |             |
|    | <b>TOTAL</b>   | <b>456,924,869</b> | <b>100.00</b>  |             |

Over 11,000 indigenous Zimbabweans are beneficiaries in the Company through the Pension Funds and individuals who are shareholders in the Company.

## MANAGEMENT REMUNERATION

Management packages have not changed during the year. Fees for non-executive directors will be paid from this year onwards.

## 2013 INTERIM FINANCIAL RESULTS

Advisory activity was subdued owing to the pre-electoral period as a result no advisory fees were earned during the period. Total revenue of US\$ 1.3 million (June 2012: US\$ 644 000) was generated from the revaluation of listed securities, dividends and interest income, during a period when the economy was stagnant with no clear direction. Operating costs amounted to US\$ 495 000 (June 2012: US\$ 342 000) made up mainly of administration costs of US\$ 245 000 and staff costs of US\$ 207 000. Finance costs of US\$ 884 000 (June 2012: US\$ 293 000) were incurred.

Loss before tax of US\$ 44 473 (June 2012: profit of US\$ 9 105) is primarily attributable to timing adjustments on the realisable amount on the share portfolio. A deferred tax credit of US\$ 264 882 (June 2012: tax credit of US\$ 107) resulted in profit after tax of US\$ 220 409 (June 2012: US\$ 9 212).

The balance sheet of the Company grew to US\$ 39 million from US\$ 26 million as at 31 December 2012 driven by growth in investments. Investments in subsidiaries increased to US\$ 998 000 and Investment in associates increased by 63% to US\$ 25 million. Property and equipment increased by US\$ 335 000 largely as a result of the acquisition of an office building which will house the Company's and some of its investee companies operations as soon as works are completed.

## DIRECTORATE

Below is the composition of the board of directors of the Company and attendance of meetings during the year under review:

| NAME OF DIRECTOR         | NATIONALITY   | TYPE OF DIRECTORSHIP   |
|--------------------------|---------------|------------------------|
| Richard Muirimi          | Zimbabwean    | Non-Executive Chairman |
| Vulindlela Ndlovu        | Zimbabwean    | Non-Executive Director |
| Alwyn Scholtz            | South African | Non-Executive Director |
| Cornel Vermaak           | South African | Non-Executive Director |
| Dirk Harbecke            | German        | Non-Executive Director |
| NanaAma Botchway-Dowuona | Ghanaian      | Non-Executive Director |
| George Manyere           | Zimbabwean    | Managing Director      |
| Walter Kambwanji         | Zimbabwean    | Executive Director     |
| Wayne Waterworth         | Zimbabwean    | Executive Director     |

## OUTLOOK

The elections have come and gone and a winner was declared. We are hopeful that a new government will promulgate clear policies vital for economic growth and attraction of investment. Brainworks will continue to seek opportunities in our chosen sectors to enhance growth and returns for our shareholders.

Yours sincerely



Richard Muirimi  
Chairman



George Manyere  
Managing Director



**RICHARD MUIRIMI**  
ZIMBABWEAN | NON-EXECUTIVE CHAIRMAN

**Richard Muirimi** has significant experience in Pension and Employee Benefits Services. He founded Cormaton Consultants (Private) Limited in 1995 and is currently the Managing Director, responsible for driving the vision, development and implementation of the strategy. Cormaton is a leading pension fund administrator in Zimbabwe, administering at least 30 pension funds.

He spearheaded the launch of the Comarton Managed Pension Funds Investments Consortium in 2007, an investment fund with US\$ 55 million in investable funds, some of which have already been invested in real estate and public equities on the Zimbabwe Stock Exchange. The investment fund is now actively pursuing investments in alternative asset classes, primarily private equity, a new investment class in Zimbabwe which Comarton is actively sponsoring its introduction in the market.

Richard was previously the Chairman of the Zimbabwe Association of Pension Funds over the period April 2002 to February 2004. He is currently the Deputy Chairman of the Insurance and Pensions Commission, an appointment he has held since 1 November 2005.

Among his other major achievements, he was the inaugural 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 following:

- Launch of the financial services group.
- Initial capitalisation through Private Placement of shares amongst founding shareholders.
- IPO of KFHL and listing on the Zimbabwe Stock Exchange.
- Establishments and development of all subsidiaries including Asset Management, Merchant Bank, Commercial Bank, Stock Broking.
- Regional expansion into Botswana and Zambia.
- Managing compliance within a very unpredictable regulatory environment.

Richard has also previously held senior positions in Zimnat Life Assurance Company (1995-1998) and AON/Minet Insurance Brokers (1982-1995). In 1987 he graduated as a fellow of the Executive Development Programme with the University of Zimbabwe.



**ALWYN SCHOLTZ**  
SOUTH AFRICAN | NON-EXECUTIVE DIRECTOR

**Alwyn Scholtz** is the Founding Partner of Scholtz Attorneys, a firm specialising in commercial law and corporate finance among other areas. The firm is based in Pretoria, South Africa and to-date, Alwyn has advised clients, some listed on the Johannesburg Stock Exchange (JSE), on general commercial work. This included a company listed on the Hong Kong Stock Exchange on the acquisition of a majority interest in a company which owns a platinum mine in the Groblersdal area in South Africa. Alwyn conducted the concomitant due diligence on the structure of the holding entities, the financing structures and mining licenses. The total value of the transaction was approximately US\$ 300 million.

Alwyn has also advised an international IT Group operating from the United States and Switzerland on various proposed take-overs and financing transactions and has also advised a Zinc and Copper project in Zambia on its proposed listing on the AIM Market in London.

Alwyn is currently acting as the Company Secretary for a major shareholder in one of the largest commercial agricultural companies in South Africa listed on the JSE. Alwyn was previously a Partner at Glyn and Marais Inc. (previously Jowell Glyn and Marais Inc.), a law firm in Johannesburg, South Africa.

Alwyn has significant advisory experience of corporate deals, capital raising and listing on stock exchanges. Alwyn is a holder of a BCom Law and an LLB from the University of Pretoria.



**CORNEL VERMAAK**  
SOUTH AFRICAN/SWISS | NON-EXECUTIVE DIRECTOR

**Cornel Vermaak** is currently Chief Executive Officer of Clearwater Investments, a Switzerland-based and regulated financial services company specialising in asset management, wealth planning and structuring.

Prior to founding Clearwater, Cornel was a senior professional within the Credit Suisse Group of companies, servicing the Swiss private banking arena. He was specifically responsible for international private banking business from Geneva for Bank Hofmann for many years where he saw and led many interesting transactions.

Cornel has worked in many jurisdictions globally in the trust and financial planning arena fulfilling the role as Trustee and being responsible for regulatory, management and other issues. He practiced law as an admitted attorney of the Supreme Court of South Africa and is a holder of a B.Com Law, LLB and Hdip Tax degrees. He is also a qualified Estate and Trust Practitioner.



**NANAAMA BOTCHWAY-DOWUONA**  
GHANAIAN | NON-EXECUTIVE DIRECTOR

**NanaAma Botchway-Dowuona** has significant experience in Legal and Private Equity. She has worked as an M&A lawyer in New York prior to returning to Ghana in 2002. She has practiced in Accra as a corporate lawyer advising large corporate clients on foreign direct investments in Ghana.

Most recently NanaAma worked as the Chief Operating Officer of the Kingdom Zephyr Africa Management Company, a premier African private equity management company, which manages two pan-African private equity funds with over US\$ 600 million in capital commitments.

NanaAma currently consults as a legal and strategic advisor in West Africa.



**DIRK HARBECKE**  
GERMAN | NON-EXECUTIVE DIRECTOR

**Dirk Harbecke** has more than 15 years experience as a senior executive, entrepreneur and investor. He is the CEO and Founder of the African Development Corporation (ADC); a Frankfurt-listed investment company focused primarily on investing in the banking sector in Africa. ADC has a market capitalisation in excess of Euro100 million. Dirk is responsible for ADC's strategy, the investment screening and decision process, the success of the investments and is the key representative of the company.

Before joining ADC, Dirk worked as a Manager at Boston Consulting Group (BCG), focusing on the restructuring and set-up of financial services institutions in Europe and the Middle East. He has extensive international experience in developed and emerging markets having worked in Germany, France, UK, US, China, Tunisia, Egypt and numerous sub-Saharan African countries.

Most recently, Dirk worked for BCG, setting-up new financial services institutions in the Middle East where he and his team developed a concept for a new bank that has been successfully introduced on the market, from feasibility study to strategy development and operational blueprint. Other projects included the development and implementation of a new retail and private banking concept and the management of merger and acquisition deals in Western Europe.

Prior to working as a consultant, Dirk set-up two companies in the financial services and ICT sectors, successfully launched an online financial network with 120 employees and developed it to market leadership in Germany.

Dirk has a joint honours degree in Journalism (Master) and Economics (Bachelor) from the University of Dortmund/Germany and an MBA from St. Gallen University in Switzerland. He is a trained editor who speaks fluent German, English and French. Dirk sits on several boards in Germany and Africa.



**VULINDLELA NDLOVU**  
ZIMBABWEAN | NON-EXECUTIVE DIRECTOR

**Vulindlela Ndlovu** is a former Partner at KPMG Zimbabwe. Among his major achievements at KPMG, Vulindlela started the KPMG Corporate Finance Practice in the country in 1997 and this has since developed into a reputable corporate finance service provider.

After KPMG he worked for the African Banking Corporation (ABC) where his last position was Managing Director for the Zimbabwe operations. He left ABC at the end of 2004 to set up Lufuno Capital. Lufuno Capital is an investment banking firm, with the primary activities being financial advisory, private equity and proprietary investments. Lufuno's focus has been in the area of project finance, mergers and acquisitions and disposals in Zimbabwe and other African countries. Lufuno is currently promoting its first Private Equity Fund, the Lufuno Southern Africa SME Fund, a Euro 30 million Fund that invests in Malawi, Zambia and Zimbabwe.

Vulindlela's prior work experience in senior financial management roles, includes the Financial Gazette, an independent weekly financial newspaper in Harare; and Tedco Limited, a furniture and clothing retail group that was listed on the Zimbabwe Stock Exchange.

Vulindlela holds a Bachelor of Accountancy degree from the University of Zimbabwe, is a Chartered Accountant (Zimbabwe), and a past president of the Institute of Chartered Accountants of Zimbabwe.



**GEORGE MANYERE**  
ZIMBABWEAN | MANAGING DIRECTOR/CHIEF INVESTMENT OFFICER

**George Manyere** is the Managing Director, Chief Investment Officer and co-founder of Brainworks Capital Management. He is an investment banker with significant experience in executing deals in Zimbabwe and sub-Saharan Africa.

Prior to founding Brainworks Capital in 2008, George was an investment professional with the private sector arm of the World Bank, International Finance Corporation (IFC), headquartered in Washington DC. While at the IFC, he invested in excess of US\$ 600 million in sub-Saharan Africa with some of his notable transactions yielding 216% IRR and 38% IRR respectively. He managed a portfolio of investments in excess of US\$ 400 million and represented the IFC on several investee boards.

George led the structuring and acquisition of a 28% controlling stake in Premier Finance Group Limited and seconded to Premier Bank to undertake the restructuring and recapitalisation of the banking group. Notable achievements at Premier bank, include the successful attraction of foreign shareholders to the bank in a US\$ 6 million transaction with African Development Corporation (ADC) and KMQ Enterprises (a Mauritius investment firm), the successful restructuring of the banks governance structures and balance sheet and the successful conclusion of a transaction with Ecobank Transnational Incorporated in a US\$ 10 million transaction which ensured the bank is fully recapitalised, rebranded and is positioned for significant growth in partnership with Ecobank, a leading pan-African Bank, whose asset base is in excess of US\$ 9 billion.

Post Ecobank's investment in Premier Bank, he successfully completed the execution of his mandate at Premier Bank and resumed his executive role at Brainworks Capital. George is a Non-Executive Director in most of Brainworks Capital investee companies including Ecobank Zimbabwe.

George holds a Bachelor of Accounting Science and Honours in Accounting Science from the University of South Africa. He also holds a Certificate in Theory of Accounting from the University of South Africa and has completed various international courses in finance, strategy and investment banking.



**WALTER KAMBWANJI**  
ZIMBABWEAN | FINANCE DIRECTOR/CHIEF OPERATING OFFICER

**Walter Kambwanji** is the Finance Director, Chief Operating Officer and co-founder of Brainworks Capital Management. He is a Chartered Accountant with significant experience in finance and operations in Zimbabwe and internationally.

Prior to co-founding Brainworks in 2008, he was a professional in the finance department of HSBC in London. Walter has vast experience in the fields of Finance and Operations

and has previously been Finance Director of various institutions in Zimbabwe including Bank ABC Zimbabwe Limited, Renaissance Merchant Bank Limited and Murray and Roberts Zimbabwe Limited.

Walter was seconded to Premier Bank in April 2009 to undertake the restructuring and strengthening of the banking group's operations. Notable achievements at Premier Bank include the successful rationalisation of operations and staff, restructuring of the balance sheet and containment of costs. Walter also played critical roles in the attraction of foreign shareholders to the bank in a US\$ 6 million transaction with African Development Corporation (ADC) and KMQ Enterprises (a Mauritius investment firm) and the successful conclusion of a transaction with Ecobank Transnational Incorporated in a US\$ 10 million transaction which ensured the bank was fully recapitalised, rebranded and positioned for significant growth in partnership with Ecobank, a leading pan-African Bank, whose asset base in excess of US\$ 9 billion.

Post Ecobank's investment in Premier Bank, Walter successfully completed the execution of his mandate and has assumed an executive role at Brainworks Capital Management (Private) Limited - he will drive the company's operations and assist investee companies in strengthening their finance and operations.

Walter also holds a Bachelor of Accounting Science from the University of South Africa, a Post Graduate Diploma in Applied Accountancy from the University of Zimbabwe and is a member of the Institute of Chartered Accountants of Zimbabwe. He has completed various international courses in finance, strategy and banking.



**WAYNE WATERWORTH**  
ZIMBABWEAN | EXECUTIVE DIRECTOR

**Wayne Waterworth**, an engineer by profession, has significant experience in the mining sector in Zimbabwe. Prior to joining Brainworks Capital Management as Chief Mining Specialist/Partner, Wayne was the Managing Director of Falcon Gold Limited, a Zimbabwe Stock Exchange-listed gold mining company, a role he assumed in 2008. At Falgold, Wayne managed a total of four gold mines with a staff compliment in excess of 500.

Wayne has worked in Europe and in various African countries including South Africa, Kenya, Zimbabwe and Tanzania. He is a highly experienced professional with more than 20 years experience in senior general and technical management roles. He has a proven track record in a variety of industrial and commercial and turnkey projects in the mining sectors, petrochemicals and large and small scale construction sectors. He has specialist systems experience of Project and Contract Management, Energy and Environmental Management, Electrical and Mechanical Engineering, Medium and High voltage power and control systems, Energy and Building Management and Control systems.

More recently Wayne was responsible for the successful design, procurement, fabrication, erection, installation, testing and commissioning of the Blanket Mine Shaft 4 expansion project which included a new headgear (initial designed to 1,000m), winder, skips (nominal payload 5 ton), rough ore bin, primary crusher, all conveyors etc. to handle 30,000 tpm plus. He designed, but not completed, the mill upgrades, new secondary crushing plant and ancillary plant. He is well-versed in local international standards, regulations and codes of practice and has sat on various technical committees.

At Brainworks Life Capital, Wayne is responsible for the technical evaluation of mining opportunities and will assist the company's investee companies in the mining sector in strengthening their mining operations and enhancing shareholder value. He is a holder of a Bachelor of Science in Electrical Engineering and his other professional qualifications include:

- Member of the European Federation of National Engineering Associations 2001.
- Chartered Member of the Institution of Electrical Engineers 2000.
- Associate Member of the South African Institute of Electrical Engineers 1990.
- SAZ Technical Committees - Member, Cable and Conductors Technical Committee.
- Member of the Institute of Directors (Zimbabwe).

Wayne was the Chairman of the Chamber of Mines Technical Committee, on the Electricity and Power Development Committee and is a member of the Standards Association of Zimbabwe Technical Committee on Electrical Cables and Conductors.



The Directors recognise the importance of sound corporate governance and the Company complies with the provisions of the Companies Act (Chapter 24:03). The Board is responsible for formulating, reviewing and approving the Company's strategy, plans and corporate actions. The Directors hold quarterly meetings and at any other time as and when required. The Company has established various Board sub-committees namely, the Audit Committee, the Investment Committee and the Remuneration and Nominations Committee with formally delegated duties and responsibilities.

#### INVESTMENT COMMITTEE

The Investment Committee is a Board sub-committee and its role is to review and approve the Company's investment strategy, approve recommended investments by management, oversee the effective implementation of portfolio management strategies of management in line with the Company's investment policy.

The Investment Committee members are:

|                                 |                            |
|---------------------------------|----------------------------|
| <b>Cornel Vermaak</b>           | (Non-Executive Chairman)   |
| <b>Richard Muirimi</b>          | (Non-Executive Director)   |
| <b>NanaAma Botchway-Dowuona</b> | (Non-Executive Director)   |
| <b>Dirk Harbecke</b>            | (Non-Executive Director)   |
| <b>George Manyere</b>           | (Chief Investment Officer) |

#### AUDIT COMMITTEE

The Audit Committee is a Board sub-committee and its role is to oversee the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information, accounting systems, procedures and the Company's financial reporting statements.

The Audit Committee's objectives include assisting the Directors in meeting their responsibilities with respect to the Company's continuous financial disclosure obligations and overseeing the work of the Company's external auditors.

The Audit Committee members are:

|                          |                          |
|--------------------------|--------------------------|
| <b>Vulindlela Ndlovu</b> | (Non-Executive Chairman) |
| <b>Alwyn Scholtz</b>     | (Non-Executive Director) |
| <b>Cornel Vermaak</b>    | (Non-Executive Director) |

#### REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is a Board sub-committee and makes recommendations to the Board regarding the remuneration policy that applies to Executive Directors and senior employees and is responsible for identifying and nominating candidates to fill vacancies on the Board, as and when they arise.

The Remuneration and Nomination Committee members are:

|                          |                          |
|--------------------------|--------------------------|
| <b>Richard Muirimi</b>   | (Non-Executive Chairman) |
| <b>Dirk Harbecke</b>     | (Non-Executive Director) |
| <b>Vulindlela Ndlovu</b> | (Non-Executive Director) |

# 2013 INTERIM FINANCIAL STATEMENTS INDEPENDENT AUDITOR'S REPORT



## TO THE DIRECTORS OF BRAINWORKS CAPITAL MANAGEMENT (PRIVATE) LIMITED

### INTRODUCTION

We have reviewed the accompanying statement of financial position of Brainworks Capital Management (Private) Limited ("the Company") as at 30 June 2013, the statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information as set out on pages 13 to 42. Management is responsible for the preparation and presentation of this interim financial information in accordance with the International Accounting Standard ("IAS") 34: Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements 2410: Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34: Interim Financial Reporting.

*KPMG*

KPMG Chartered Accountants (Zimbabwe)  
Harare  
16 September 2013

**INTERIM FINANCIAL REPORT**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013**

|  | NOTE | 30-JUN-13<br>US\$ | 31-DEC-12<br>US\$ |
|--|------|-------------------|-------------------|
| <b>ASSETS</b>  |      |                   |                   |
| Cash and cash equivalents  | 9    | 3 797 862         | 16 354            |
| Financial instruments held at fair value through profit and loss | 10   | 6 585 764         | 7 259 234         |
| Receivables  | 11   | 1 548 418         | 2 341 569         |
| Investment in subsidiaries                                       | 12   | 998 436           | 689 905           |
| Investment in associates   | 13   | 25 094 954        | 15 312 014        |
| Deferred tax asset   | 14   | 735 319           | 470 437           |
| Property and equipment   | 15   | 386 124           | 59 085            |
| <b>TOTAL ASSETS</b>  |      | <b>39 146 877</b> | <b>26 148 598</b> |
| <b>SHAREHOLDERS' EQUITY</b>                                      |      |                   |                   |
| Share capital  | 18.2 | 45 692            | 31 523            |
| Share premium  | 18.3 | 25 603 000        | 12 646 626        |
| Retained earnings  |      | 1 204 283         | 983 874           |
| <b>SHAREHOLDERS' EQUITY</b>                                      |      | <b>26 852 975</b> | <b>13 662 023</b> |
| <b>LIABILITIES</b>   |      |                   |                   |
| Borrowings   | 16   | 11 793 693        | 12 459 596        |
| Other liabilities  | 17   | 500 209           | 26 979            |
| <b>TOTAL LIABILITIES</b>   |      | <b>12 293 902</b> | <b>12 486 575</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                              |      | <b>39 146 877</b> | <b>26 148 598</b> |



Walter Kambwanji  
 Chief Finance Officer/Company Secretary  
 16 September 2013



Vulindlela Ndlovu  
 Audit Committee Chairman  
 16 September 2013

# INTERIM FINANCIAL REPORT

## STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2013

|   | NOTE | 30-JUN-13<br>US\$ | 30-JUN-12<br>US\$ |
|---|------|-------------------|-------------------|
| Fee income  |      | -                 | 643 742           |
| Interest income   |      | 53 169            | -                 |
| Share of associate income   |      | 332 940           | -                 |
| Dividend income   |      | 81 491            | -                 |
| Net gain from financial instruments at fair value through profit and loss | 5    | 866 421           | -                 |
| <b>TOTAL REVENUE</b>  |      | <b>1 334 021</b>  | <b>643 742</b>    |
| Directors' fees   |      | 16 050            | -                 |
| Transaction costs   |      | -                 | -                 |
| Audit and legal fees  |      | 17 568            | 9 000             |
| Other operating expenses  | 6    | 461 364           | 332 963           |
| <b>TOTAL OPERATING EXPENSES</b>   |      | <b>494 982</b>    | <b>341 963</b>    |
| <b>OPERATING PROFIT BEFORE FINANCE COSTS</b>                              |      | <b>839 039</b>    | <b>301 779</b>    |
| Finance costs   | 7    | 883 512           | 292 674           |
| <b>(LOSS) / PROFIT BEFORE TAX</b>   |      | <b>(44 473)</b>   | <b>9 105</b>      |
| Tax credit  | 8    | (264 882)         | (107)             |
| <b>PROFIT AFTER TAX FOR THE PERIOD</b>                                    |      | <b>220 409</b>    | <b>9 212</b>      |
| Other comprehensive income  |      | -                 | -                 |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                          |      | <b>220 409</b>    | <b>9 212</b>      |

**INTERIM FINANCIAL REPORT**  
**STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2013**

|   | 30-JUN-13<br>US\$  | 30-JUN-12<br>US\$ |
|---|--------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>       |                    |                   |
| <b>LOSS / (PROFIT) BEFORE TAXATION</b>            | (44 473)           | 9 105             |
| <b>Adjust for:</b>                                |                    |                   |
| Depreciation                                      | 8 047              | 6 946             |
| Unrealised gains                                  | (766 221)          | -                 |
| Interest income                                   | (53 169)           | -                 |
| Interest expense                                  | 883 512            | 292 674           |
|   | <u>27 696</u>      | <u>308 725</u>    |
| Changes in payables                               | 473 231            | (170 650)         |
| Changes in receivables                            | 793 151            | (730 740)         |
|   | <u>1 294 078</u>   | <u>(592 395)</u>  |
| Cash utilised in operations                       |                    |                   |
| Interest received                                 | 53 169             | -                 |
| <b>Net cash from operating activities</b>         | <u>1 347 247</u>   | <u>(592 395)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |                    |                   |
| Acquisition of unlisted investments               | (1 973 273)        | -                 |
| Proceed of listed investments                     | 979 387            | 387 068           |
| Purchase of property and equipment                | (335 086)          | (100)             |
| <b>Net cash used in investing activities</b>      | <u>(1 328 972)</u> | <u>(386 968)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |                    |                   |
| Proceeds from issue of shares                     | 5 195 544          | 100 000           |
| Proceeds from long-term borrowings                | 1 100 000          | -                 |
| Repayment of liabilities                          | (2 532 311)        | (340 000)         |
| <b>Net cash from financing activities</b>         | <u>3 763 233</u>   | <u>(240 000)</u>  |
| Net increase in cash and cash equivalents         | 3 781 508          | (445 428)         |
| Cash and cash equivalents at beginning of period  | 16 354             | 513 153           |
| <b>Cash and cash equivalents at end of period</b> | <u>3 797 862</u>   | <u>67 725</u>     |

**INTERIM FINANCIAL REPORT**  
**STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2013**

|  | SHARE<br>CAPITAL<br>US\$ | SHARE<br>PREMIUM<br>US\$ | RETAINED<br>EARNINGS<br>US\$ | TOTAL<br>US\$            |
|--|--------------------------|--------------------------|------------------------------|--------------------------|
| <b>BALANCE AT 1 JANUARY 2012</b>   | 30 130                   | 11 321 120               | 411 115                      | 11 762 365               |
| Total Comprehensive Income   | -                        | -                        | 9 212                        | 9 212                    |
| <b>TOTAL</b>   | <u>30 130</u>            | <u>11 321 120</u>        | <u>420 327</u>               | <u>11 771 577</u>        |
| <b>TRANSACTIONS WITH OWNERS<br/>OF THE COMPANY RECOGNISED<br/>DIRECTLY IN EQUITY</b> |                          |                          |                              |                          |
| Issue of shares  | 167                      | 99 833                   | -                            | 100 000                  |
| <b>TOTAL CONTRIBUTIONS BY OWNERS</b>   | <u>167</u>               | <u>99 833</u>            | <u>-</u>                     | <u>100 000</u>           |
| <b>BALANCE AT 30 JUNE 2012</b>   | <u><u>30 297</u></u>     | <u><u>11 420 953</u></u> | <u><u>420 327</u></u>        | <u><u>11 871 577</u></u> |

|  | SHARE<br>CAPITAL<br>US\$ | SHARE<br>PREMIUM<br>US\$ | RETAINED<br>EARNINGS<br>US\$ | TOTAL<br>US\$            |
|--|--------------------------|--------------------------|------------------------------|--------------------------|
| <b>BALANCE AT 1 JANUARY 2013</b>   | 31 523                   | 12 646 626               | 983 874                      | 13 662 023               |
| Total Comprehensive Income   | -                        | -                        | 220 409                      | 220 409                  |
| <b>TOTAL</b>   | <u>31 523</u>            | <u>12 646 626</u>        | <u>1 204 283</u>             | <u>13 882 432</u>        |
| <b>TRANSACTIONS WITH OWNERS<br/>OF THE COMPANY RECOGNISED<br/>DIRECTLY IN EQUITY</b> |                          |                          |                              |                          |
| Issue of shares  | 14 169                   | 12 956 374               | -                            | 12 970 543               |
| <b>TOTAL CONTRIBUTIONS BY OWNERS</b>   | <u>14 169</u>            | <u>12 956 374</u>        | <u>-</u>                     | <u>12 970 543</u>        |
| <b>BALANCE AT 30 JUNE 2013</b>   | <u><u>45 692</u></u>     | <u><u>25 603 000</u></u> | <u><u>1 204 283</u></u>      | <u><u>26 852 975</u></u> |

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

### 1. INCORPORATION AND NATURE OF BUSINESS

The Company is a Zimbabwean indigenous controlled and managed private equity investment firm which invests in companies with operations in Zimbabwe focused primarily in the following sectors:

- (i) Financial Services;
- (ii) Mining;
- (iii) Hospitality; and
- (iv) Energy.

The Company is incorporated and domiciled in Zimbabwe with its registered offices at 4 Arden Road, Newlands in Harare.

The Company is primarily involved in private equity investment activities, fund management and is a licensed financial advisory company.

### 2. BASIS OF PREPARATION

#### 2.1 STATEMENT OF COMPLIANCE

This interim financial report was prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual financial statements as at and for the year ended 31 December 2012.

This interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards. The interim financial report is not consolidated as the only subsidiary, Brainworks Petroleum (Private) Limited is immaterial to these financial statements.

The interim financial statements were authorised for issue by the Board of Directors on 16 September 2013.

#### 2.2 BASIS OF MEASUREMENT

The financial statements are prepared on the historical costs basis except for financial instruments at fair value through profit or loss that are measured at fair value.

#### 2.3 FUNCTIONAL CURRENCY

These financial statements are presented in United States Dollars ("US\$") which is the Company's functional currency.

#### 2.4 USE OF ESTIMATES AND JUDGEMENT

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

### 2.4.1 SIGNIFICANT ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty include:

- Determination of fair values of financial assets and determination of discount rates, cash flow projections and price earnings ratios for use in valuing unquoted equities.
- Determination of useful lives and residual values used in the calculation of depreciation expense.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2012.

### 3.1 FINANCIAL INSTRUMENTS

The Company recognises financial assets or financial liabilities on its statement of financial position when it becomes a party to the contractual provisions of the financial instrument.

The Company's principal financial instruments comprise all assets and liabilities carried on the statement of financial position with the exception of share capital, reserves and minority interests in subsidiary companies, tangible and intangible non-current assets, inventories and deferred tax assets and liabilities.

#### 3.1.1 NON-DERIVATIVE FINANCIAL ASSETS

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated as at fair value through profit and loss comprise equity securities that otherwise would have been classified as available for sale.



# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

### 3.1.2 NON-DERIVATIVE FINANCIAL LIABILITIES

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise borrowings, bank overdrafts, and other liabilities.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

### 3.1.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The valuation technique used depends on the nature of the financial instrument.

#### Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

**LEVEL 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities traded on the Zimbabwe Stock Exchange.

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

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

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

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

### 3.1.4 SHARE CAPITAL

#### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### 3.2 INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

Subsidiaries are entities where the Company has control. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity. Investments in subsidiaries are accounted for at cost while investments in associates are accounted for according to the equity method.

### 3.3 PROPERTY AND EQUIPMENT

#### 3.3.1 RECOGNITION AND MEASUREMENT

Items of equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

#### 3.3.2 DEPRECIATION

Items of equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Items of equipment are depreciated from the date that they are installed and are ready for use. The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

- Property 50 years
- Leasehold improvements 5 years
- Motor vehicles 5 years
- Computer equipment 5 years
- Office equipment 5 years
- Furniture and fittings 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### 3.4 LEASED ASSETS

Operating leases are not recognised in the Company's statement of financial position.

### 3.5 IMPAIRMENT

#### 3.5.1 NON-DERIVATIVE FINANCIAL ASSETS

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred, after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

### Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### 3.5.2 NON-FINANCIAL ASSETS

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Losses are recognised in profit or loss.

### 3.5.3 EMPLOYEE BENEFITS

#### Post-employment benefits

The Company's employees are on a defined contribution plan. Obligations for contributions to the defined contribution plan are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

#### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the relevant service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

### 3.6 TAX

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future and;
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.7 REVENUE RECOGNITION

#### 3.7.1 DIVIDEND INCOME

Dividend income is recorded when the Company's right to receive the payment is established.

#### 3.7.2 NET GAIN FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

The net gain from financial instruments held at fair value through profit or loss includes all realised and unrealised fair value changes, but excludes interest and dividend income on short positions. The Company uses the first-in, first-out method to determine the gain on disposal.

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

### 3.7.3 INTEREST

Interest income and expense, are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

- Interest is presented in the following lines in the statement of comprehensive income:
- Interest receivable in "interest income" line;
- Interest payable in "finance costs" line.

### 3.8 RELATED PARTIES

- A person or a close member of that person's family is a related party to the Company if that person has control or joint control, significant influence or is a member of the key management personnel of the Company.
- An entity is a related party to the Company if that entity is a subsidiary, associate or joint venture of the Company.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Transactions with related parties are conducted on an arm's length basis.

## 4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the assets or liability.

### 4.1 EQUITY AND DEBT SECURITIES

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed included market multiples and discounted cash flow analyses using expected future cash flows and a market-related discount rate.

### 4.3 TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

|  | NOTE | 30-JUN-13<br>US\$ | 30-JUN-12<br>US\$ |
|--|------|-------------------|-------------------|
| <b>5 . NET GAIN FROM INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS</b> |      |                   |                   |
| Gains on listed investments  |      | 866 421           | -                 |
|  |      | <u>866 421</u>    | <u>-</u>          |
| <b>6. OTHER OPERATING EXPENSES</b>   |      |                   |                   |
| Contributions to a defined contribution pension plan                       |      | 16 320            | 9 480             |
| Social security contributions  |      | 1 537             | 488               |
| Other staff costs  |      | 189 708           | 178 822           |
| Office rental  |      | 18 000            | 18 000            |
| Administration costs   |      | 227 752           | 119 227           |
| Depreciation   |      | 8 047             | 6 946             |
|  |      | <u>461 364</u>    | <u>332 963</u>    |
| <b>7. FINANCE COSTS</b>  |      |                   |                   |
| Interest on ABC Holdings Limited facility                                  | 16   | 140 691           | 120 908           |
| Interest on Ecobank Transnational Incorporated facility                    | 16   | 188 285           | 171 766           |
| Ever Prosperous (Private) Limited facility                                 | 16   | 439 332           | -                 |
| Interest on the Metbank Limited facility                                   |      | 112 184           | -                 |
| Other  | 16   | 3 020             | -                 |
|  |      | <u>883 512</u>    | <u>292 674</u>    |
| <b>8. TAX CREDIT</b>   |      |                   |                   |
| Current tax expense  |      | -                 | -                 |
| Deferred tax asset movement  |      | (264 882)         | (107)             |
| <b>TAX CREDIT</b>  |      | <u>(264 882)</u>  | <u>(107)</u>      |
| <b>8.1. TAX RATE RECONCILIATION</b>  |      |                   |                   |
| (Loss) / profit before tax   |      | <u>(44 473)</u>   | <u>9 105</u>      |
| Tax calculated at 25.75%   |      | (11 452)          | 2 345             |
| Tax effect of:   |      |                   |                   |
| Items not taxable/deductible for tax purposes                              |      | 2 926             | (2 452)           |
| Tax loss   |      | (270 161)         | -                 |
| Items taxed at different rates   |      | 13 805            | -                 |
| <b>TAX CREDIT</b>  |      | <u>(264 882)</u>  | <u>(107)</u>      |

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

|  | 30-JUN-13<br>US\$ | 31-DEC-12<br>US\$ |
|--|-------------------|-------------------|
| <b>9. CASH AND CASH EQUIVALENTS</b>  |                   |                   |
| Cash and bank balances   | 3 797 862         | 16 354            |
| <b>10. FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS</b>  |                   |                   |
| Quoted investments   | 3 407 407         | 4 716 204         |
| Put option   | 3 178 357         | 2 543 030         |
|  | <u>6 585 764</u>  | <u>7 259 234</u>  |
| <p>The put option arose as a result of a transaction entered into to purchase shares and sell them at an exercise price of US\$ 1 a share. This gave rise to a put option being recognized at fair value through profit and loss at an amount of US\$ 3 178 357, using the present value of the difference between the strike price and the exercise price of the option as per the put agreement.</p> |                   |                   |
| <b>11. RECEIVABLES</b>   |                   |                   |
| Receivables  | <u>1 548 418</u>  | <u>2 341 569</u>  |
| <b>12. INVESTMENT IN SUBSIDIARIES</b>  |                   |                   |
| Investment in Brainworks Petroleum (Private) Limited   | 676 531           | 368 000           |
| Investment in Brainworks Capital Management Gold (Private) Limited   | 321 905           | 321 905           |
|  | <u>998 436</u>    | <u>689 905</u>    |
| <b>13. INVESTMENT IN ASSOCIATES</b>  |                   |                   |
| 29.39% Shareholding in Ecobank Zimbabwe  | 15 277 014        | 14 937 014        |
| 45% Shareholding in Get Bucks Zimbabwe   | 367 940           | 375 000           |
| 31.82% Shareholding in African Sun Limited   | 9 450 000         | -                 |
|  | <u>25 094 954</u> | <u>15 312 014</u> |

The shareholding in Africa Sun Limited was acquired with effect from 30 June 2013.

### Aggregated amounts relating to associate companies:

|  |             |             |
|--|-------------|-------------|
| Aggregate total assets                   | 121 719 000 | 101 617 582 |
| Aggregate total liabilities              | 81 329 000  | 74 264 582  |
| Aggregate revenue                        | 7 091 000   | 9 871 191   |
| Aggregate profit after tax of associates | 430 000     | 181 198     |

**INTERIM FINANCIAL REPORT**  
**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013**

|  | JUN-13<br>US\$ | MOVEMENT<br>US\$ | DEC-12<br>US\$ |
|--|----------------|------------------|----------------|
|--|----------------|------------------|----------------|

**14. DEFERRED TAX**

**Deferred tax arising from:**

|                                    |                |                |                |
|------------------------------------|----------------|----------------|----------------|
| Fair value on listed investments   | (28 377)       | (5 695)        | (22 682)       |
| Fair value on unlisted investments | (26 167)       | -              | (26 167)       |
| Leasehold improvements             | (198)          | 28             | (226)          |
| Property and equipment             | (2 728)        | 388            | (3 116)        |
| Tax loss                           | 792 789        | 270 161        | 522 628        |
| <b>DEFERRED TAX ASSET</b>          | <b>735 319</b> | <b>264 882</b> | <b>470 437</b> |

|  | Land and<br>buildings<br>US\$ | Leasehold<br>improvements<br>US\$ | Motor<br>vehicles<br>US\$ | Computer<br>equipment<br>US\$ | Office<br>equipment<br>US\$ | Furniture<br>& fittings<br>US\$ | Total<br>US\$ |
|--|-------------------------------|-----------------------------------|---------------------------|-------------------------------|-----------------------------|---------------------------------|---------------|
|--|-------------------------------|-----------------------------------|---------------------------|-------------------------------|-----------------------------|---------------------------------|---------------|

**15.1 PROPERTY AND EQUIPMENT**  
**AT 30 JUNE 2013**

**COST**

|                 |                |              |               |               |               |               |                |
|-----------------|----------------|--------------|---------------|---------------|---------------|---------------|----------------|
| Opening balance | -              | 5 500        | 16 150        | 10 032        | 16 848        | 36 645        | 85 075         |
| Additions       | 326 958        | -            | -             | 6 000         | 2 128         | -             | 335 086        |
|                 | <u>326 958</u> | <u>5 500</u> | <u>16 150</u> | <u>10 032</u> | <u>18 976</u> | <u>36 645</u> | <u>420 161</u> |

**DEPRECIATION**

|                       |   |        |         |         |         |          |          |
|-----------------------|---|--------|---------|---------|---------|----------|----------|
| Opening balance       | - | (1104) | (5 112) | (3 290) | (5 489) | (11 095) | (26 090) |
| Charge for the period | - | (552)  | (1 614) | (1 002) | (1 686) | (3 193)  | (8 047)  |

|                                 |                |                |                |                |                |                 |                 |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|
| <b>ACCUMULATED DEPRECIATION</b> | <u>-</u>       | <u>(1 656)</u> | <u>(6 726)</u> | <u>(4 292)</u> | <u>(7 175)</u> | <u>(14 288)</u> | <u>(34 137)</u> |
| <b>NET CARRYING AMOUNT</b>      | <u>326 958</u> | <u>3 844</u>   | <u>9 424</u>   | <u>11 740</u>  | <u>11 801</u>  | <u>22 357</u>   | <u>386 124</u>  |



# INTERIM FINANCIAL REPORT

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

|                                    | Leasehold<br>improvements<br>US\$ | Motor<br>vehicles<br>US\$ | Computer<br>equipment<br>US\$ | Office<br>equipment<br>US\$ | Furniture<br>& fittings<br>US\$ | Total<br>US\$   |
|------------------------------------|-----------------------------------|---------------------------|-------------------------------|-----------------------------|---------------------------------|-----------------|
| <b>15.2 PROPERTY AND EQUIPMENT</b> |                                   |                           |                               |                             |                                 |                 |
| AT 31 DECEMBER 2012                |                                   |                           |                               |                             |                                 |                 |
| <b>COST</b>                        |                                   |                           |                               |                             |                                 |                 |
| Opening balance                    | 5 500                             | 16 150                    | 10 032                        | 16 748                      | 31 944                          | 80 374          |
| Additions                          | -                                 | -                         | -                             | 100                         | 4 701                           | 4 801           |
|                                    | <u>5 500</u>                      | <u>16 150</u>             | <u>10 032</u>                 | <u>16 848</u>               | <u>36 645</u>                   | <u>85 175</u>   |
| <b>DEPRECIATION</b>                |                                   |                           |                               |                             |                                 |                 |
| Opening balance                    | (367)                             | (1 884)                   | (1 286)                       | (2 119)                     | (4 345)                         | (10 001)        |
| Charge for the period              | (737)                             | (3 228)                   | (2 004)                       | (3 370)                     | (6 750)                         | (16 089)        |
| <b>ACCUMULATED DEPRECIATION</b>    | <u>(1 104)</u>                    | <u>(5 112)</u>            | <u>(3 290)</u>                | <u>(5 489)</u>              | <u>(11 095)</u>                 | <u>(26 090)</u> |
| <b>NET CARRYING AMOUNT</b>         | <u>4 396</u>                      | <u>11 038</u>             | <u>6 742</u>                  | <u>11 359</u>               | <u>25 550</u>                   | <u>59 085</u>   |
| As at 31 December 2012             |                                   |                           |                               |                             |                                 |                 |

|  | NOTE | 30-JUN-13<br>US\$ | 31-DEC-12<br>US\$ |
|--|------|-------------------|-------------------|
| <b>16. BORROWINGS</b>                    |      |                   |                   |
| ABC Holdings Limited                     | 16.1 | 1 958 803         | 1 818 112         |
| Ecobank Transnational Incorporated (ETI) | 16.2 | 3 876 285         | 3 688 000         |
| Ever Prosperous Worldwide Limited        | 16.3 | 4 046 419         | 6 139 398         |
| Metbank short-term facility              | 16.4 | 1 912 186         | 700 000           |
| Deferred payments                        | 16.5 | -                 | 114 086           |
|  |      | <u>11 793 693</u> | <u>12 459 596</u> |

- 16.1 The amount due to ABC Holdings Limited matures on 31 December 2021 and attracts interest at 15% per annum. The facility is secured by directors' residential properties.
- 16.2 The amount due to Ecobank Transnational Incorporated matures on 6 May 2014 and attracts interest at 10% per annum. The facility is secured by 70 000 000 shares in Ecobank Zimbabwe Limited.
- 16.3 The amount due to Ever Prosperous Worldwide Limited relates to funding advanced for the acquisition of ABCH shares and attracts interest at 15% per annum. The amount is payable in full on disposal of shares. The facility is secured by 6 814 814 ABCH shares.
- 16.4 The amount due to Metbank Limited relates to a facility granted and matures on 31 December 2013 and attracts interest at 24% per annum.
- 16.5 Amounts relate to the balance that remained for shares purchased under a deferred payment structure in the prior year. The balance was subsequently cleared in 2013 and was unsecured.

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

|                              | 30-JUN-13<br>US\$ | 31-DEC-12<br>US\$ |
|------------------------------|-------------------|-------------------|
| <b>17. OTHER LIABILITIES</b> |                   |                   |
| Audit fees                   | 10 349            | 15 000            |
| Accounts payable             | 451 000           | 11 979            |
| Other sundry payables        | 38 860            | -                 |
|                              | <u>500 209</u>    | <u>26 979</u>     |

|   | 30-JUN-13<br>US\$ | 31-DEC-12<br>US\$ |
|---|-------------------|-------------------|
| <b>18. CAPITAL AND RESERVES</b>                   |                   |                   |
| <b>18.1 AUTHORISED</b>                            |                   |                   |
| 1 000 000 000 ordinary shares of US\$ 0.0001 each | <u>100 000</u>    | <u>100 000</u>    |
| <b>18.2 ISSUED AND FULLY PAID</b>                 |                   |                   |
| 456 924 869 ordinary shares of US\$ 0.0001 each   | <u>45 692</u>     | <u>31 523</u>     |
| <b>18.3 SHARE PREMIUM</b>                         |                   |                   |
| Premium on ordinary shares                        | <u>25 603 000</u> | <u>12 646 626</u> |

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to one vote per share at meetings of the Company. The unissued shares are under the control of the Directors.

### 19. OPERATING LEASES

The Company has operating leases for its office premises. The lease term is for one year renewable. The minimum lease payments under the operating lease were as follows:

|                        | 30-JUN-13<br>US\$ | 31-DEC-12<br>US\$ |
|------------------------|-------------------|-------------------|
| No later than one year | 18 000            | 36 000            |

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

### 20. RELATED PARTIES

Directors secured the ABC Holdings Limited facility to the Company through their residential properties see note 16.

No other related party transaction apart from normal remuneration for services as executive directors occurred and these led to the balances below:

|  | NOTE | 30-JUN-13<br>US\$ | 31-DEC-12<br>US\$ |
|--|------|-------------------|-------------------|
| <b>20.1 RELATED PARTY BALANCES</b>                       |      |                   |                   |
| <b>Receivables due from Group companies:</b>             |      |                   |                   |
| Brainworks Petroleum (Private) Limited                   |      | 367 027           | 351 224           |
| African Development Corporation                          |      | 411 840           | 469 528           |
| <b>Borrowings obtained from related party companies:</b> |      |                   |                   |
| Ecobank Transnational Incorporated                       | 16   | 3 876 285         | 3 688 000         |
| ABC Holdings Limited                                     | 16   | 1 958 803         | 1 818 112         |
| <b>Cash balances with related party transactions:</b>    |      |                   |                   |
| Ecobank Transnational Incorporated                       | 9    | 3 797 862         | 14 466            |
| <b>Put option:</b>                                       |      |                   |                   |
| ABC Holdings Limited                                     | 10   | 3 178 357         | 2 543 030         |
|  |      | 30-JUN-13<br>US\$ | 30-JUN-12<br>US\$ |

### 20.2 RELATED PARTY TRANSACTIONS

**Related party transactions:**

|  |         |         |
|--|---------|---------|
| Interest on loan from Ecobank Transnational Incorporated | 188 285 | 171 766 |
| Interest on loan from ABCH                               | 140 691 | -       |

### 20.3 COMPENSATION OF KEY MANAGEMENT PERSONNEL

|  |                |                |
|--|----------------|----------------|
| Short-term employee benefits                     | 185 400        | 165 000        |
| Post-employment pension and medical aid benefits | 9 660          | 4 500          |
| Other long-term benefits                         | -              | -              |
| Termination benefits                             | -              | -              |
| <b>TOTAL COMPENSATION</b>                        | <b>195 060</b> | <b>169 500</b> |

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

### 21. RISK MANAGEMENT

#### 21.1 LIQUIDITY RISK

##### Definition

Liquidity risk arises in the general funding of the Company's activities and in the management of positions. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

##### Identification techniques

This risk is identified through gap and maturity analyses.

##### Measurement methods

Liquidity risk is measured using the gap analysis techniques and the term structure of assets and liabilities.

##### Monitoring and controlling mechanisms

The funding gap is monitored through a number of management reports, including maturity profiles. The Company continually assesses risk by identifying and monitoring changes in funding required to meet business objectives and targets set in terms of the overall Company strategy.

##### Adequacy and effectiveness of risk management systems

The liquidity risk management and control mechanisms in place are adequate, effective and are adhered to by all staff members.

|                                     | Up to 1<br>month<br>US\$ | 2 to 6<br>months<br>US\$ | 7 to 12<br>months<br>US\$ | Above 12<br>months<br>US\$ | Other<br>US\$     | Total<br>US\$     |
|-------------------------------------|--------------------------|--------------------------|---------------------------|----------------------------|-------------------|-------------------|
| <b>LIQUIDITY GAP ANALYSIS</b>       |                          |                          |                           |                            |                   |                   |
| <b>As at 30 June 2013</b>           |                          |                          |                           |                            |                   |                   |
| <b>Assets</b>                       |                          |                          |                           |                            |                   |                   |
| Cash and cash equivalents           | 3 797 862                | -                        | -                         | -                          | -                 | 3 797 862         |
| Financial instruments at fair value | -                        | 6 585 764                | -                         | -                          | -                 | 6 585 764         |
| Other assets                        | -                        | -                        | 1 548 418                 | -                          | -                 | 1 548 418         |
| Investments in subsidiaries         | -                        | -                        | -                         | -                          | 998 436           | 998 436           |
| Investment in associate             | -                        | -                        | -                         | -                          | 25 094 954        | 25 094 954        |
| Property and equipment              | -                        | -                        | 386 124                   | -                          | -                 | 386 124           |
| Deferred taxation                   | -                        | -                        | -                         | -                          | 735 319           | 735 319           |
|                                     | <u>3 797 862</u>         | <u>6 585 764</u>         | <u>1 934 542</u>          | <u>-</u>                   | <u>26 828 709</u> | <u>39 146 877</u> |
| <b>Liabilities</b>                  |                          |                          |                           |                            |                   |                   |
| Borrowings                          | 5 958 605                | -                        | 5 835 088                 | -                          | -                 | 11 793 693        |
| Other liabilities                   | -                        | 500 209                  | -                         | -                          | -                 | 500 209           |
| Total Equity                        | -                        | -                        | -                         | -                          | 26 852 975        | 26 852 975        |
|                                     | <u>5 958 605</u>         | <u>500 209</u>           | <u>5 835 088</u>          | <u>-</u>                   | <u>26 852 975</u> | <u>39 146 877</u> |
| Sensitivity gap                     | (2 160 743)              | 6 085 555                | (3 900 546)               | -                          | (24 266)          | -                 |
| Cumulative gap                      | (2 160 743)              | 3 924 812                | 24 266                    | 24 266                     | -                 | -                 |

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

|                                     | Up to 1<br>month<br>US\$ | 2 to 6<br>months<br>US\$ | 7 to 12<br>months<br>US\$ | Above 12<br>months<br>US\$ | Other<br>US\$     | Total<br>US\$     |
|-------------------------------------|--------------------------|--------------------------|---------------------------|----------------------------|-------------------|-------------------|
| <b>LIQUIDITY GAP ANALYSIS</b>       |                          |                          |                           |                            |                   |                   |
| <b>As at 31 December 2012</b>       |                          |                          |                           |                            |                   |                   |
| <b>Assets</b>                       |                          |                          |                           |                            |                   |                   |
| Cash and cash equivalents           | 16 354                   | -                        | -                         | -                          | -                 | 16 354            |
| Financial instruments at fair value | -                        | 7 259 234                | -                         | -                          | -                 | 7 259 234         |
| Other assets                        | -                        | -                        | 2 341 569                 | -                          | 321 905           | 2 663 474         |
| Investments in subsidiaries         | -                        | -                        | -                         | -                          | 368 000           | 368 000           |
| Investment in associate             | -                        | -                        | -                         | -                          | 15 312 014        | 15 312 014        |
| Property and equipment              | -                        | -                        | -                         | -                          | 59 085            | 59 085            |
| Deferred taxation                   | -                        | -                        | -                         | -                          | 470 437           | 470 437           |
|                                     | <u>16 354</u>            | <u>7 259 234</u>         | <u>2 341 569</u>          | <u>-</u>                   | <u>16 531 441</u> | <u>26 148 598</u> |
| <b>Liabilities</b>                  |                          |                          |                           |                            |                   |                   |
| Borrowings                          | -                        | 6 953 484                | -                         | 5 506 112                  | -                 | 12 459 596        |
| Other liabilities                   | 26 979                   | -                        | -                         | -                          | -                 | 26 979            |
| Total equity                        | -                        | -                        | -                         | -                          | 13 662 023        | 13 662 023        |
|                                     | <u>26 979</u>            | <u>6 953 484</u>         | <u>-</u>                  | <u>5 506 112</u>           | <u>13 662 023</u> | <u>26 148 598</u> |
| Sensitivity gap                     | (10 625)                 | 305 750                  | 2 341 569                 | (5 506 112)                | 2 869 418         | -                 |
| Cumulative gap                      | (10 625)                 | 295 125                  | 2 636 694                 | (2 869 418)                | -                 | -                 |

## 21.2 MARKET RISK

Market risk arises from adverse movements in the market place which cause interest rate, foreign exchange rate and equity price fluctuations in the markets that the Company operates.

### INTEREST RATE RISK

#### Definition

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Company's business strategies.

#### Identification techniques

Interest risk is identified using the term structure of assets and liabilities.

#### Measurement methods

Rate sensitive assets and liabilities are analysed and a maturity profile exhibited.

#### Impact evaluation

The Company has evaluated this risk as low. At present it does not have any variable rate assets or liabilities.

#### Strategies for management/mitigation

The Board of Directors reviews the gap analysis and appropriate action is taken to keep risk within set limits.

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

|                                     | Up to 1<br>month<br>US\$ | 2 to 6<br>months<br>US\$ | 7 to 12<br>months<br>US\$ | Above 12<br>months<br>US\$ | Other<br>US\$     | Total<br>US\$     |
|-------------------------------------|--------------------------|--------------------------|---------------------------|----------------------------|-------------------|-------------------|
| <b>INTEREST RATE GAP ANALYSIS</b>   |                          |                          |                           |                            |                   |                   |
| <b>As at 30 June 2013</b>           |                          |                          |                           |                            |                   |                   |
| <b>Assets</b>                       |                          |                          |                           |                            |                   |                   |
| Cash and cash equivalents           | 3 797 862                | -                        | -                         | -                          | -                 | 3 797 862         |
| Financial instruments at fair value | -                        | -                        | -                         | -                          | 6 585 764         | 6 585 764         |
| Other assets                        | -                        | -                        | -                         | -                          | 1 548 418         | 1 548 418         |
| Investments in subsidiaries         | -                        | -                        | -                         | -                          | 998 436           | 998 436           |
| Investment in associate             | -                        | -                        | -                         | -                          | 25 094 954        | 25 094 954        |
| Property and equipment              | -                        | -                        | -                         | -                          | 386 124           | 386 124           |
| Deferred taxation                   | -                        | -                        | -                         | -                          | 735 319           | 735 319           |
|                                     | <u>3 797 862</u>         | <u>-</u>                 | <u>-</u>                  | <u>-</u>                   | <u>35 349 015</u> | <u>39 146 877</u> |
| <b>Liabilities</b>                  |                          |                          |                           |                            |                   |                   |
| Borrowings                          | -                        | 5 958 605                | -                         | 5 835 088                  | -                 | 11 793 693        |
| Balances due to stockbrokers        | -                        | -                        | -                         | -                          | 500 209           | 500 209           |
| Total equity                        | -                        | -                        | -                         | -                          | 26 852 975        | 26 852 975        |
|                                     | <u>-</u>                 | <u>5 958 605</u>         | <u>-</u>                  | <u>5 835 088</u>           | <u>27 353 184</u> | <u>39 146 877</u> |
| Sensitivity gap                     | 3 797 862                | (5 958 605)              | -                         | (5 835 088)                | 7 995 831         | -                 |
| Cumulative gap                      | 3 797 862                | (2 160 743)              | (2 160 743)               | (7 995 831)                | -                 | -                 |

|                                     | Up to 1<br>month<br>US\$ | 2 to 6<br>months<br>US\$ | 7 to 12<br>months<br>US\$ | Above 12<br>months<br>US\$ | Other<br>US\$     | Total<br>US\$     |
|-------------------------------------|--------------------------|--------------------------|---------------------------|----------------------------|-------------------|-------------------|
| <b>INTEREST RATE GAP ANALYSIS</b>   |                          |                          |                           |                            |                   |                   |
| <b>As at 31 December 2012</b>       |                          |                          |                           |                            |                   |                   |
| <b>Assets</b>                       |                          |                          |                           |                            |                   |                   |
| Cash and cash equivalents           | 16 354                   | -                        | -                         | -                          | -                 | 16 354            |
| Financial instruments at fair value | -                        | -                        | -                         | -                          | 7 259 234         | 7 259 234         |
| Other assets                        | -                        | -                        | -                         | -                          | 2 663 474         | 2 663 474         |
| Investments in subsidiaries         | -                        | -                        | -                         | -                          | 368 000           | 368 000           |
| Investment in associate             | -                        | -                        | -                         | -                          | 15 312 014        | 15 312 014        |
| Property and equipment              | -                        | -                        | -                         | -                          | 59 085            | 59 085            |
| Deferred taxation                   | -                        | -                        | -                         | -                          | 470 437           | 470 437           |
|                                     | <u>16 354</u>            | <u>-</u>                 | <u>-</u>                  | <u>-</u>                   | <u>26 132 244</u> | <u>26 148 598</u> |
| <b>Liabilities</b>                  |                          |                          |                           |                            |                   |                   |
| Borrowings                          | -                        | 6 953 484                | -                         | 5 506 112                  | -                 | 12 459 596        |
| Other liabilities                   | -                        | -                        | -                         | -                          | 26 979            | 26 979            |
| Total equity                        | -                        | -                        | -                         | -                          | 13 662 023        | 13 662 023        |
|                                     | <u>-</u>                 | <u>6 953 484</u>         | <u>-</u>                  | <u>5 506 112</u>           | <u>13 689 002</u> | <u>26 148 598</u> |
| Sensitivity gap                     | 16 354                   | (6 953 484)              | -                         | (5 506 112)                | 12 443 242        | -                 |
| Cumulative gap                      | 16 354                   | 6 937 130)               | (6 937 130)               | (12 443 242)               | -                 | -                 |

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

### FOREIGN EXCHANGE RISK

#### Definition

Foreign exchange risk is the risk that arises from adverse changes in foreign exchange rates and emanates from a mismatch between foreign currency inflows and outflows.

#### Identification techniques

The risk is identified through the analysis of the Company's open foreign exchange positions.

#### Measurement methods

The risk is measured through the Company's open foreign exchange positions.

#### Impact evaluation

The Company has evaluated this risk as low in view of the fact that at present it does not have any open foreign exchange positions.

#### Strategies for management/mitigation

The risk is managed through market analysis techniques.

#### Monitoring and controlling mechanisms

The risk is controlled through the use of limits set by the board on the overall foreign exchange position.

#### Adequacy and effectiveness of risk management system

Management is confident that the foreign exchange risk management systems in place are adequate, effective and are complied with in all material respects by all staff members.

### EQUITY PRICE RISK

#### Definition

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments that derive their value from a particular equity investment or index of equity prices.

#### Identification techniques

The Company tracks the performance of all its equity investments using the price lists issued by members of the Zimbabwe Stock Exchange.

#### Measurement methods

Based on the price lists from the members of the Zimbabwe Stock Exchange, the Company quantifies the risk.

#### Impact evaluation

Equity price risk is assessed as high as the Company's equities are in a single counter.

### FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table on page 34 summarises the various assets and liabilities measured at fair value and the level on the fair value hierarchy.

# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

| 2013   | LEVEL 1<br>US\$  | LEVEL 2<br>US\$  | LEVEL 3<br>US\$ | TOTAL<br>US\$    |
|--|------------------|------------------|-----------------|------------------|
| Equities at fair value through profit and loss | 3 407 407        | -                | -               | 3 407 407        |
| Put option                                     | -                | 3 178 357        | -               | 3 178 357        |
| <b>TOTAL</b>                                   | <b>3 407 407</b> | <b>3 178 357</b> | <b>-</b>        | <b>6 585 764</b> |

| 2012   | LEVEL 1<br>US\$  | LEVEL 2<br>US\$  | LEVEL 3<br>US\$ | TOTAL<br>US\$    |
|--|------------------|------------------|-----------------|------------------|
| Equities at fair value through profit and loss | 4 716 204        | -                | -               | 4 716 204        |
| Put option                                     | -                | 2 543 030        | -               | 2 543 030        |
| <b>TOTAL</b>                                   | <b>4 716 204</b> | <b>2 543 030</b> | <b>-</b>        | <b>7 259 234</b> |

The fair value of the put option was determined at period end through comparison of the closing price of the shares at 30 June 2013 and the present valued exercise price of the shares as per the put agreement. Apart from the financial assets shown above, the Company had no other financial assets and liabilities that were carried at fair value, as at 30 June 2013.

### Adequacy and effectiveness of risk management system

The risk management system has proved adequate and effective in managing equity price risk.

### 21.3 CREDIT RISK

#### Definition

Credit risk is the risk that a counter party will not honour its obligations to the Company as and when they become due.

#### Identification techniques

The company assesses prospective customers or investees prior to granting credit facilities to them.

#### Measurement methods

The risk is measured through assessing the risk of default through investigations of the counterparty's credit worthiness.

#### Impact evaluation

Credit risk is rated low in the Company as the systems for identification measurement and controlling the risk are effective.

#### Strategies for management/mitigation

The Company has a credit risk management process which operates through authorisation limits.



# INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

### Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposure. The maximum exposure at reporting date was as follows:

|             | NOTE | 2013<br>US\$<br>CARRYING<br>AMOUNT | 2012<br>US\$<br>CARRYING<br>AMOUNT |
|-------------|------|------------------------------------|------------------------------------|
| Receivables | 11   | 1 548 418                          | 2 341 569                          |

### 22. CAPITAL COMMITMENTS

During 2011 the Company lodged an application with IPEC for a life assurance licence. The licence has not yet been issued. If licensed, the business will be capitalised through a combination of existing investments and cash. The immediate capital commitment for this venture is a cash injection of US\$ 500 000.

### 23. SUBSEQUENT EVENTS

#### 23.1

Subsequent to 30 June 2013, a foreign investor subscribed for 49% shareholding in FML Oil Company of Zimbabwe (Private) Limited. UASIL invested US\$ 2 million through US\$ 0.65 million subscription for 49% shareholding and US\$ 1.35 million preference shares with 0% coupon redeemable after 31 December 2014. This will reduce the Company's shareholding in FML Oil Company of Zimbabwe (Private) Limited to 51%. The transaction was approved by Exchange Control on 3 September 2013.

#### 23.2

Subsequent to 30 June 2013, the Company is seeking a listing on the Toronto Stock Exchange through a reverse takeover of Rock Tech Lithium Incorporated, a Canadian listed entity. Rock Tech Lithium Incorporated will acquire 100% of the issued share capital of Brainworks in exchange for 95% of Rock Tech Lithium Incorporated. Due diligence on both companies is currently underway. The transaction is subject to Shareholders and Exchange Control approval.

#### 23.2

Subsequent to 30 June 2013, the company acquired 12% in Dawn Properties Limited, a listed property owning company, for US\$ 4.4 million. The shareholding will be held through Lengrah Investments, a company in which Brainworks owns shareholding of 68%, while 32% is owned by foreign investors, Wallal Superannuation Fund, an Australian self managed superannuation fund, and Mudhut Trading (Jersey) Limited, a Channel Islands registered company.

**BRAINWORKS CAPITAL MANAGEMENT (PRIVATE) LIMITED**

4 Arden Road

Newlands

Harare

Zimbabwe

**TEL** ::: +263 4 782 849

**FAX** ::: +263 4 782 855

**EMAIL** ::: [enquiry@brainworkscapital.com](mailto:enquiry@brainworkscapital.com)

**WEBSITE** ::: [www.brainworkscapital.com](http://www.brainworkscapital.com)