Brainworks Limited
Annual Report
2018

Contents

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

Corporate Information

BRAINWORKS LIMITED

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

DIRECTORS:

Name	Designation	Appointed on:	Resigned on:
Simon F.W VILLAGE (Chairman)	Non Executive	25 January 2016	-
Martin J. WOOD	Independent Non-Executive	6 September 2016	7 December 2018
George S.J BENNETT	Independent Non-Executive	8 July 2016	-
Chipo Mtasa	Independent Non-Executive	19 November 2018	-
Simon Nyarota	Independent Non-Executive	19 November 2018	-
Audrey M. MOTHUPI	Independent Non-Executive	6 September 2016	-
Richard N. CHARRINGTON	Independent Non-Executive	6 September 2016	26 March 2019
George MANYERE	Non Executive	28 November 2014	30 January 2018
Walter T. KAMBWANJI	Non Executive	28 November 2014	30 January 2018
Richard G. MUIRIMI	Non Executive	9 July 2015	-
Brett I. CHILDS (Chief Executive Officer)	Executive	1 January 2017	-
Peter SAUNGWEME (Chief Finance Officer)	Executive	31 March 2017	-

COMPANY SECRETARY AND ADMINISTRATOR:
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INDEPENDENT STATUTORY AUDITOR:
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Business Registration Number: F07000530
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Directors' Report

INTRODUCTION

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

ZIMBABWE POLITICAL AND ECONOMIC REVIEW

Political

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

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

Zimbabwean economic and currency developments

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

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

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

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

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

Directors' Report (continued)

Zimbabwean economic and currency developments (continued)

On the same date, the RBZ announced the official designation of the existing RTGS balances, bond notes and coins in circulation then as "RTGS dollars" in order to establish an exchange rate between the current monetary balances and foreign currency. The necessary legal instrument to give official existence to the new currency was promulgated on 22 February 2019. The RTGS dollar is going to be used by all entities, including Government and individuals in Zimbabwe, for the purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions in Zimbabwe, thereby effectively becoming the functional currency in Zimbabwe with effect from 22 February 2019.

This development marked the second phase of currency reform pronouncements.

The inter-bank platform is now active. The RTGS dollar commenced trading at an official rate of 1US$: 2.5RTGS dollars in February 2019 and the rate has since been on an upward but steady trend.

The impact of the Zimbabwean currency development on the Group's financial statements is disclosed in note 33.

SEGMENT PERFORMANCE REVIEW

The Group's segment results are further disclosed in note 6.

HOSPITALITY SEGMENT

The Group's major assets namely hotels, and revenues are linked to the tourism industry in Zimbabwe.

Tourist arrivals to Zimbabwe reached 2,58 million in 2018, 6% up from 2,42 million received in 2017. The increase in tourist arrivals was driven by the notable growth in arrivals from all source regions and most major markets with the exception of the Americas.

For the full year under review, the Group's international tourist arrivals increased by 12% to 123 735 from 110 555 achieved in the prior year. All the Group's source market recorded growth relative to the prior year, with Asia registering the most significant growth from 21 046 to 24 856 (+18%), Africa from 26 528 to 29 990 (+13%), Europe from 36 361 to 40 609 (+12%), Americas from 20 671 to 22 107 (+9%) and Australia from 5 949 to 6 173 (+4%).

There was notable increase in volumes across the hotels, with city hotels benefitting significantly from elections, conferencing and corporate related business whilst hotels in the Victoria Falls area benefited from increased foreign arrivals. This positive trend was achieved despite the constrained macro-economic environment emanating from unresolved liquidity and foreign currency shortages.

The bulk of local business emanates from conferencing by Non Governmental Organisations ("NGOs") and Government. At the beginning of the year, rates were generally subdued as the local customers were impacted by the economic pressures that are bedeviling the country and are therefore highly price sensitive. However, our local prices were adjusted upwards during the last quarter to cushion the Group from increasing costs of local inputs, which had reacted adversely to the Zimbabwean currency developments. The Group continued to run promotions aimed at local leisure travellers in a bid to continue improving and sustaining growth of the domestic segment.

Directors' Report (continued)

SEGMENT PERFORMANCE REVIEW (CONTINUED)

HOSPITALITY SEGMENT(CONTINUED)

Hotels under management

Legacy Hotels ("Legacy") was contracted to manage five hotels namely Monomotapa, Elephant Hills Resort and Conference Centre, the Kingdom at Victoria Falls, Hwange Safari Lodge and Troutbeck Resort. The management agreement was effective 1 October 2015.

Legacy Managed hotels launched an Easter special in the South African and Zimbabwean markets in an effort to improve room occupancy at the end of the first quarter of 2018. This yielded positive results as occupancy was higher than achieved in prior year. In addition to this, throughout the year, discounted United States of America dollar rates were offered to the market. At the end of year, an all-inclusive package was offered to the market as a festive season promotion. This promotion also helped the hotels cross over into 2019 to take care of the new year trough period in the first few weeks of the new year. The Troutbeck Resort, Kingdom Hotel and Hwange Safari Lodge did well achieving Revenue Generation Index ("RGIs") above 1 in their competitive sets while Legacy Monomotapa and Elephant Hills Hotels were below 1. It is however encouraging to note that the RGI for the two hotels which are below 1 improved in 2018 compared to the prior year. Strategies to drive volumes and ultimately the RGIs have been put in place.

The table below shows the key performance indicators relating to hotels under Legacy's management.

	2018	2017	2016
Occupancy (%)	52	45	35
Average Room Rate ("ARR") (US$)	106	91	91
Revenue Per Available Room ("RevPAR") (US$)	55	41	32
Total Revenue Per Available Room ("Total RevPAR") (US$)	98	73	59
Total revenue (US$' million)	35.18	26.17	21.12
Profit/(loss) before income tax (US$' million)	5.95	0.93	(1.12)

RevPAR growth was a result of the increase in occupancy while Average Daily Rate ("ADR") growth was spurred by increase in rates. Increased occupancy for this division was attributed to an increase in room nights sold across all sectors. The growth in volumes was driven by conferencing business as well as new and traditional tour and series business, with renewed interest in the country by potential investors, tour and series groups, and election related business having a strong bearing in this improved outcome. The ADR increased as the division pursued a rate strategy due to the economic fundamentals prevailing during the year under review. The Kingdom at Victoria Falls and Elephants Hills registered improved performance on the back of significant growth of the Asian market as well as the increased conferencing capacity.

The Victoria Falls hotels continue to benefit from increased air access as a result of the upgraded Victoria Falls International airport and runway expansion, which were completed in 2016.

Owner managed hotels - franchised hotels

This segment is made up of Holiday Inn Harare, Holiday Inn Bulawayo and Holiday Inn Mutare.

The Holiday Inn Franchised hotels, being city hotels, focused on the conference, Government, Quasi Government and corporate business. The division started the year on a high note with hosting of 2019 International Cricket Council ("ICC") World Cup qualifiers teams and election observers' business.

Directors' Report (continued)

SEGMENT PERFORMANCE REVIEW (CONTINUED)

HOSPITALITY SEGMENT (CONTINUED)

Owner managed hotels - franchised hotels

The division continued promotional rates, which included food and conferencing discounted packages to specific target markets. Throughout the year, competitive conference packages were offered and these yielded positive results at all Holiday Inn hotels. These hotels achieved a positive RGIs (RGI of above 1) against their competitors in the destinations they operate.

The table below shows the key performance indicators relating to the hotels operating under the Holiday Inn franchise:

	2018	2017	2016
Occupancy (%)	75	66	60
ARR (US$)	94	75	76
RevPAR (US$)	70	50	46
Total RevPAR (US$)	129	87	78
Total revenue (US$' million)	20.71	14.48	13.10
Profit before income tax (US$' million)	5.37	1.17	0.74

The segment is driven by NGO, corporate and government business.

As part of product improvement, African Sun completed rooms refurbishment for the Holiday Inn Mutare which has given guests a refreshed product and as a result, Holiday Inn Mutare maintained the hotel leading status in Mutare. The total cost of the refurbishments was US$1.7 million. New state of art gym facilities, restaurant and kitchen refurbishment were done at the Holiday Inn hotels during the year in order to comply with the brand's standards. All the three Holiday Inn franchised hotels were brand compliant according to IHG brand standards and assessments thereof in 2018.

Partnership managed hotel - the Victoria Falls hotel

African Sun operates The Victoria Falls Hotel under an equal Partnership arrangement with Meikles Hospitality (Private) Limited. The hotel thrives on its rich history, spanning 114 years.

The Victoria Falls Hotel is predominantly a foreign guest patronised hotel, with over 90% of its market skewed towards the foreign market. However, in the season when there is a drop in foreign business, there is need to augment the hotel's occupancies with domestic arrivals. To cater for the regional market which is predominantly South African, and being sensitive to the run on the Rand a "Pay for 2 Stay 3 Nights" promotion was launched in the South African market. The Victoria Falls hotel had the best RGI of 1.52 in its competitive set which includes the top of the range hotels in the Victoria Falls, Zimbabwe and Livingstone in Zambia.

The table below shows the key performance indicators relating to the Victoria Falls Hotel:

	2018	2017	2016
Occupancy (%)	66	63	54
ARR (US$)	268	254	254
RevPAR (US$)	177	161	136
Total RevPAR (US$)	268	255	216
Total revenue (US$' million) - 50% share of the joint operation	8.13	7.45	6.30
Profit before income tax (US$' million) - 50% share of the joint operation	3.11	2.98	1.96

Directors’ Report (continued)

SEGMENT PERFORMANCE REVIEW (CONTINUED)

HOSPITALITY SEGMENT (CONTINUED)

Partnership managed hotel - the Victoria Falls hotel (continued)
RevPAR growth was underpinned by improvement in occupancy as there was no increase in room rates in 2018. Room rates were flat at this prime property in a bid to increase volumes during the trough season. The hotel’s participation in various regional and international travel shows has helped spur demand for this property, especially in the peak season.

The second phase refurbishment of the hotel is scheduled in 2019.The refurbishment of mock up rooms have already started with the project expected to be completed in 2020 at a cost of about US$6.5 million. The Group is excited about this project given the positive results that have been brought about by the first phase of the refurbishment in terms of both positive guest feedback and improved financial performance of the hotel since completion.

Owner managed hotels - stand alone brands
This division is made up of Carribea Bay Resort and Great Zimbabwe Hotel.
These two hotels are strategically positioned in the resort towns of Kariba and Masvingo respectively. The hotels were equally active in the market running exciting promotions for schools, Adventure Unlimited being one, where school children not only had a great time at the properties, but also had a chance to learn more about tourism. The competitive rate was inclusive of some activities which included houseboat trips and dam wall visits in Kariba whilst a historical tour of the monument at the Great Zimbabwe also added the knowledge of their country’s history. In addition to this, Great Zimbabwe Hotel benefited from the fortnightly foreign bus tour groups from South Africa from March 2018 to October 2018. Great Zimbabwe Hotel and Caribbea Bay Resort performed well in their competitive sets achieving RGIs of 1.23 and 1.11 sets respectively.

Below is a summary of the key performance indicators for these two hotels:

	2018	2017	2016
Occupancy (%)	51	51	44
ARR (US$)	78	65	64
RevPAR (US$)	40	33	28
Total RevPAR (US$)	87	75	58
Total revenue (US$’ million)	4.15	3.54	2.77
Profit/(loss) before income tax (US$’ million)	0.8	0..36	0.04

Carribbea Bay Resort has been negatively affected by accessibility as the state of the roads has deteriorated over the years. Accessibility has negatively affected the destination’s competitiveness, resulting in loss of both conferencing and leisure business to competing destinations. We are however confident that the planed reconstruction of the Beitbridge to Chirundu highway will benefit both hotels immensely through the revival of the Around Zimbabwe bus tours.

Soft refurbishments were done throughout the year at Caribbea Bay Hotel and guest feedback has been positive thus far. This particular hotel is set to undergo significant rooms refurbishments in 2019 in order to refresh the product to ensure that guest satisfaction is met and surpassed. The hotel has made investment in a 35 tent campsite which is being rolled out in 2019 as part of our new product offering to meet our customers’ needs.

On a stand alone basis, the hospitality segment achieved profit before income tax of US$13.6 million, representing significant increase from US$5.8 million achieved in the prior year. The profitability growth was principally attributable to 32% increase in revenue in comparison to 22% in operating expenses and cost of sales.

Directors' Report (continued)

SEGMENT PERFORMANCE REVIEW (CONTINUED)

REAL ESTATE SEGMENT

The operations of Dawn Properties Limited and all its subsidiaries are classified under the real estate business segment.

The real estate segment holds six hotels namely the Monomotapa, Elephant Hills, Carribea Bay, Holiday Inn Mutare, Great Zimbabwe and Troutbeck Inn which are all leased out to African Sun Limited, a fellow Brainworks Limited subsidiary, in terms of long term renewable leases.

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

The rental yield on the hotel properties improved from 4.2% recorded in 2017 to 5.4% in 2018. The management team in conjunction with African Sun , continue to work on a number of measures to ensure that this key performance indicator improves significantly. Our target remains a yield of at least 10% by 2020.

The property consultancy division within the Real Estate segment remains a key driver of revenues and profitability. The division recorded growth for the year ended 31 December 2018. Revenues were up 27% to close at US$2.5m, although profit for the year decreased by 20% from US$0.5million in the prior year to US$0.4million as a result of an increase in operating expenses. The board of the subsidiary company took a decision to make some once off payments to staff to cushion them from the increase in the costs of living post October 2018. Going forward, the business will be focusing on re-aligning its pricing model to the costs structures prevailing in the market.

On a stand-alone basis, the Real Estate Segment profit before income tax of US$4.6million, was 18% higher compared to US$3.9 million achieved in the prior year, due to the growth in rental revenue.

FINANCIAL SERVICES SEGMENT

The financial services segment encompasses operations of GetSure Life Assurance (Private) Limited ("GetSure"). The consolidated financial statements only include results for this segment for the six months ended 30 June 2018 as the Group disposed of GetSure effectively on 30 June 2018. The disposal is disclosed in note 10.2.

Relative to the six months ended 30 June 2017, gross premium increased by 38% from US$0.8million to US$ 1.1 million. The profit before income tax of US$3.8 million that was recorded by GetSure in the current year was mainly driven by the positive impact on profitability of US$3.7 million gain on disposal of GetBucks Microfinance Bank Limited ("GetBucks") ordinary shares which were held by GetSure before its disposal on 30 June 2018.

The disposal of GetSure effectively represents the Group's exit from financial services sector equity investments.

Directors' Report (continued)

GROUP RESULTS

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

Consistent with prior year, the Hospitality Segment remains the major contributor to Group total revenue, with contribution of 86% (US$68.5million) of the current year Group revenue. The Hospitality Segment's revenue increased by 32% to US$68.5million compared to US$51.8 million recorded over the same period in 2017. Both domestic and foreign revenue registered growth, achieving 26% and 32% respectively. The revenue growth was attributable to a 10 percentage points increase in occupancy rate from 45% reported last year to 55%. Occupancy growth was supported by strong performance from all the source markets, with local, international and regional rooms sold increasing by 16%, 26% and 22% respectively. The Group witnessed a significant increase in both local and foreign arrivals during what would have traditionally been trough periods, particularly during the first quarter of 2018 because of the Zimbabwean election period and the sustenance of the rebounce that started in November 2017. Improved hotel occupancy resulted in the average daily rate ("ADR") improving to US$97 from US$93 reported during the comparative period. As a result, revenue per available room ("RevPAR") firmed up by 10% to US$53 from US$48 achieved last year.

Post elimination of intersegment revenue, the Real Estate Segment recorded notable increase in revenue from US$2.2 million in 2017 to U$7.1 million in 2018. The growth is principally attributable to US$4.4 million revenues recorded from property sales following the completion of the Group's maiden property development project in Harare, Zimbabwe. Profitability, at US$0.2 million from these sales was rather subdued due to inflationary pressures that characterised the later development stages of the project, against earlier sales.

Operating expenses

At US$47.9 million, Group operating expenses recorded a 19% increase in comparison to the prior year of US$40.2 million. The Hospitality Segment alone recorded increase in operating expenses by 22% from US$31.0 million in 2017 to US$37.8 million during the year under review, mainly as a result of increased volumes and inflationary pressures on operating costs which became more apparent within the last quarter of the 2018 financial year. However, the reduction in operating expenses recorded by mainly at the holding company level , which recorded operating expenses of US$4.7 million, down from US$5.7 million in the prior year, contributed positively to the overall Group cost containment strategy.

Debt and finance costs

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

a) Completion of the disposal of 163 769 298 ordinary shares in GetBucks Microfinance Bank Limited through a transaction that was initiated during the last quarter of 2017. This resulted in the settlement of US$5.8 million in principal and interest accrued up to the transaction completion date;

b) deployment of fresh capital proceeds of US$4.6 million that were raised during the year;

c) various structured deals involving disposal of GetBucks ordinary shares resulting in aggregate debt of US$3.9 million being assumed by the buyers in lieu of settlement of the consideration; and

d) the balance being settled out of cashflows generated from the ordinary course of business.

Directors' Report (continued)

GROUP RESULTS (CONTINUED)

Debt and finance costs (continued)
As a consequence of reduction in debt, total finance charges for the year at US$3.3 million were 25% lower compared to US$4.4 million incurred in the prior year.

Profitability
The Group recorded profit for the year of US$10.3 million for the year under review, compared to losses of US$8 million in the prior year. Comparatively higher growth in revenues against a lower increase in operating expenses, and reduction in the finance costs, all positively contributed to the strong performance recorded in the current year.

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

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

Impact of IFRS 9
The background to the standard is disclosed on note 2.1.3 and further quantitative and qualitative disclosures relating impact of adoption of the standard is disclosed in note 3.

Impact of IFRS 15
The background to this standard is documented in note 2.1.3. The adoption of this standard did not have any impact on the financial statements of the Group.

IMPACT OF ISSUED BUT NOT YET FINANCIAL REPORTING STANDARDS
A number of financial reporting standards have been issued that will become effective within the 2019 financial reporting period. Of those standards, IFRS 16 - Leases is expected to have a material impact on the Group's financial statements.

The Group has elected not to early adopt IFRS 16. However, the Group has assessed the most likely impact of adoption of the standard given material leases that exists with third parties. An assessment of the likely impact is disclosed in note 2.1.3.

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

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

Directors’ Report (continued)

NOTABLE TRANSACTIONS (CONTINUED)

a) Disposal of equity investment in GetBucks (continued)

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

The financial impact of the Transaction is disclosed in note 11.1.

The remaining 32 644 872 GetBucks shares were disposed of through series of transactions for cash and assumption of certain Group loan obligations by the buyers.

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

The Group sold its entire shareholding in GetSure on 30 of June 2018. GetSure had hitherto been disclosed as part of Financial Services Segment on the Group’s segment report, a segment which was considered insignificant to the Group.

The financial impact of the GetSure disposal is disclosed in note 10.2.

c) Capital raising initiatives

The Group continued with its capital raising initiatives, and successfully raised US$4.6 million dollars during October 2018. This led to the issuance of 10 million new shares. The new shares, combined with the derecognition of 2 905 556 treasury shares as such (as disclosed in note 21.3), resulted in the increase in the Company’s issued shares from 75 625 640 as at the end of 2017 to 88 577 546 as at the reporting date.

OUTLOOK

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

The Group will strive to achieve further debt reduction in 2019 through continuing with its efforts to raise equity capital.

Directors' Report (continued)

SHAREHOLDING

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

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

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

Directors' Report (continued)

SHAREHOLDING (CONTINUED)

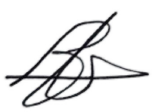
The Company's shareholding as at 31 December 2017 was as follows:

Ordinary shareholders	Number of ordinary shareholders	Percentage of total	Number of shares	Percentage of issued shares
SIZE OF SHAREHOLDING (shares)				
1 - 1000	7	11.86%	3 030	0.004%
1 001 - 10 000	7	11.86%	23 220	0.02%
10 001 - 100 000	12	20.34%	738 997	0.86%
100 001 - 1 000 000	24	40.68%	7 437 184	8.62%
Over 1 000 000	9	15.26%	78 103 764	90.50%
	59	**100.00%**	**86 306 195**	**100.00%**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders				
Directors of the Company	8	13.56%	7 769 273	9.00%
Nominee of a Group company	1	1.69%	10 680 555	12.38%
Strategic holding (more than 10%)	3	5.09%	62 973 680	72.96%
	12	**20.34%**	**81 423 508**	**94.34%**
Public shareholders	47	79.65%	4 882 687	5.65%
Total listed shareholders	**59**	**100.00%**	**86 306 195**	**100.00%**
BENEFICIAL SHAREHOLDERS HOLDING MORE THAN 5% OF SHARE CAPITAL				
Red Rock Capital Limited			28 992 052	33.59%
Blue Air Capital Limited			21 300 000	24.68%
Fintrust Pension Fund			6 724 143	7.79%
Adcone SA			12 681 628	14.69%
			69 697 823	**80.75%**

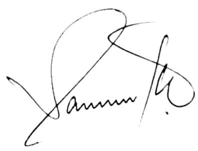
DIVIDENDS

No dividend was declared in respect of the 2018 financial year.

FOR AND ON BEHALF OF THE BOARD



B.I. CHILDS
CHIEF EXECUTIVE OFFICER



P. SAUNGWEME
CHIEF FINANCE OFFICER

Directors' Declaration

for the year ended 31 December 2018

In the opinion of the directors of Brainworks Limited, the financial statements and notes set out on pages 35 to 107 have been prepared in accordance with International Financial Reporting Standards, except for the non-compliance with IAS 21, The Effects of Changes in Foreign Exchange Rates, and give a true and fair view of the financial position of the Group as at 31 December 2018 and the results of their financial performance and their cash flows for the year then ended.

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

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

B.I. CHILDS
CHIEF EXECUTIVE OFFICER

PETER SAUNGWEME
CHIEF FINANCE OFFICER

Corporate Governance Statement

PREAMBLE

Corporate governance is an integral part of the Group's business strategy. The directors of the Company accept responsibility for compliance with the required principles underpinning effective corporate governance practice throughout the Group. The Company has adopted King IV and its best practice recommendations.

The Board is of the opinion that the Group substantially complies with the key requirements of King IV and the International Integrated Reporting Framework. The Board, with assistance from Group Legal Counsel reviews compliance with the King III and International Integrated Reporting Framework recommendations and monitors and evaluates areas of non-compliance. A full report of the Company's compliance with the King IV principles is available on http://www.brainworkslimited.com/investor-relations/corporate-governance.

BOARD OF DIRECTORS

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

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

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

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

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

Board of directors' profiles

Director	Qualifications and experience
Simon. F. Village Citizenship: United Kingdom Position: Chairman Appointed date: 25 January 2016	Simon Village, a resident of the United Kingdom, is the founding director of Argentum Limited, a company with substantial relationships across Africa, and a proven record of accomplishments in business development and corporate finance services to emerging corporates in Southern, Central and Eastern Africa. Simon has served on the boards of numerous international companies, and has led a number of successful global initiatives, the foremost of these being the development of a series of commodity-backed funds, which his team listed in 13 countries, and which revolutionised the gold market, attracting some US$100 billion of new investment into that sector. Simon also led the financing and development of a number of resource companies, where Simon served as a director, including raising some US$500 million required for building the first gold mine in the DRC since that country's independence. Prior to this, Simon was a Managing Director with HSBC in London, having worked his way up through HSBC as a top-ranked Financial Analyst to Head of Research for their emerging markets business, before being appointed as Managing Director of the securities business in South Africa. Prior to that Simon worked for De Beers in Southern Africa. Simon holds a Bachelor of Engineering (Honours) degree in Mining Engineering from the Camborne School of Mines in the United Kingdom.

Corporate Governance Statement (continued)

Board of directors' profiles (continued)

Director	Qualifications and experience
Chipo Mtasa Citizenship: Zimbabwean Position: Lead independent non-executive director and Deputy Chairperson Appointed date: 19 November 2018	Chipo Mtasa obtained a Bachelor of Accountancy Honours degree from the University of Zimbabwe in 1987 and is a Chartered Accountant (Zimbabwe). In 2009 she received an Executive Management Development Certificate from Wharton Business School, University of Pennsylvania, USA. Mrs Mtasa has over 20 years' experience in corporate management and has held leadership positions in the hospitality, service and manufacturing sectors, the most notable of which include her tenure as the CFO and CEO of the Rainbow Tourism Group Limited. She is currently the Managing Director of TelOne (Private) Limited in Zimbabwe and holds a number of non-executive directorships including: FBC Holdings Limited (2012 - current), Interfresh Limited (2007 - 2013), and Women' University in Africa (2012 - 2018). She is also the Chairperson of the West Indian Ocean Cable Company (2014 - current); Zimbabwe Open University (2017 - current) and was Chairpeson of Zimbabwe Tourism Authority (2015 - 2017).
Richard Godfrey Muirimi Citizenship: Zimbabwean Position: Non-executive director Appointed on: 9 July 2015	Richard Muirimi has significant experience in pension and employee benefits services. In 1995 he founded, and is currently the Managing Director of Comarton Consultants (Private) Limited ("Comarton"). Comarton is a leading pension fund administrator in Zimbabwe, administering at least 40 pension funds. Richard was the non-executive chairman of Kingdom Financial Holdings Limited ("KFHL") on its formation in 1995 until he resigned from the board in 2005. During that period as Chairman of KFHL, he guided KFHL through the initial capitalisation through private placement, the IPO of KFHL on the Zimbabwe Stock Exchange, the establishment of subsidiaries in asset management, merchant banking, commercial banking and stock broking and regional expansion. Richard was previously the Chairman of the Zimbabwe Association of Pension Funds from April 2002 to February 2004. He was the Deputy Chairman of the Insurance and Pensions Commission from November 2005 to December 2012. He has also previously held senior positions in Zimnat Life Assurance Company (Private) Limited (1995 – 1998) and AON/Minet Insurance Brokers (Private) Limited (1982 – 1995). He is also member of a number of Boards across the country including Zimbabwe Asset Management Corporation (Private) Limited ("ZAMCO"), a subsidiary of the Reserve Bank of Zimbabwe. In 1987 Richard graduated as a fellow of the Executive Development Programme from the University of Zimbabwe.

Corporate Governance Statement (continued)

Board of directors' profiles (continued)

Director	Qualifications and experience
Audrey Mamoshoeshoe Mothupi Citizenship: South African Position: Independent non-executive director Appointed on: 6 Sept 2016	Audrey Mothupi is the chief executive officer of SystemicLogic Group, a global financial innovation and technology disruptor. Audrey's experience spans various business domains including group strategy, talent design, marketing and communications strategy, integrated with strong corporate relationship management. Prior to her appointment at SystemicLogic Group, Audrey served as the head of inclusive banking at Standard Bank Group and prior to that, Chief Executive of Strategic Services at the Liberty Group. While at Standard Bank, Audrey's division was awarded the 2013 BAI-Finacle Global Banking Innovation Award for innovation in societal and community impact. She was also responsible for migrating 3.5 million Standard Bank customers onto a consolidated SAP platform during her former position as director of banking and lending products at Standard Bank. Audrey is an independent, non-executive director of Pick 'n' Pay; serves as the chairperson of Orange Babies of South Africa, a non-profit organisation focused on the prevention of mother to child transmission of HIV/Aids and the care of Aids orphans and vulnerable children across South Africa, Namibia and Zambia; and is a Member of the Nordic Female Business Angel Network ("NFBAN") Board, an organisation that advocates impact investing as a way to demonstrate measurable impact and profitable business models. She is a member of the Numeric Board of South Africa, an organisation focused on helping young South Africans excel in Maths, and train world-class Maths teachers. She more recently became an independent non-executive director of EOH Holdings Limited, an organisation providing the technology, knowledge, skills and organisational ability critical to Africa's development and growth.
George Sidney John Bennett Citizenship: South African Position: Independent non-executive director Appointed on: 8 July 2016	George Bennett has over 30 years' experience in finance and management, and has been a partner and director with a number of leading financial institutions including Fergusson Bros, Simpson Mckie, and HSBC Securities (Proprietary) Limited. In 2003 George became CEO of Shanta Gold Limited ("Shanta"), an exploration company based in Tanzania which he successfully listed on the London Stock Exchange in 2005. Shanta is still a gold producer today. In 2006 George acquired and restructured MdM Engineering, an engineering company building mineral process plants and mining infrastructure all over Africa. In 2008 George listed MdM on the London Stock Exchange, which over the next 8 years generated over US$57 million of pre-tax profits for its shareholders. In March 2014 George successfully negotiated and managed the sale of MdM Engineering to Amec Foster Wheeler and has now teamed up with Simon Village at Argentum Energy where he has taken the role of Managing Director.

Corporate Governance Statement (continued)

Board of directors' profiles (continued)

Director	Qualifications and experience
Richard Nicholas Charrington Citizenship: United Kingdom Position: Independent non-executive director Appointed on: 6 Sept 2016	Richard Charrington is a UK Security & Futures ("SFA") accredited corporate finance specialist with a particular focus on structured products in trade, project and shipping finance. Richard is a resident of Mauritius but grew up in Malaysia on palm oil and rubber plantations and was educated in the UK. He started his career as a commodity trader with C. Czarnikow in 1980 (subsequently bought out by the Kuok Organisation of Malaysia) and went on to specialise in trade finance with Credit-Anstalt. In 1992 Richard joined Ceres Capital International, specialising in South African debt/equity conversion and corporate restructuring and concluding some US$1.5billion in debt conversion. In 2000 Richard took over the Ceres Group, with offices in London, Namibia and Mauritius and developed the business into a bespoke corporate finance house with focus on financial engineering, project finance, asset trading and debt brokerage with particular attention to Africa. To date, the Group has closed over R20 billion worth of business in Sub-Saharan Africa.
Brett Ivor Childs Citizenship: United Kingdom Position: Chief Executive Officer Appointed on: 8 July 2016	Brett Childs, a Chartered Accountant (South Africa) originally from Zimbabwe, has over 25 years' experience in change management, capital raising, corporate actions and investment strategy. Brett has spent 15 years in London, where he helped to build a successful venture business, listed companies on the London Stock Exchange and Helsinki Stock Exchange ("HEX"). Brett is a resident of Mauritius and for the last 16 years he has been a director of a number of listed investment businesses, largely with a pan-African focus, including Maitland, Brait S.E., Novare Africa Fund PCC and Tana Africa Capital. Brett has been approved by various regulatory authorities including the Bank of Mauritius, Financial Services Commission (British Virgin Islands), Malta Financial Services Authority, Financial Services Board (South Africa), Solicitors Regulatory Authority (UK) and Financial Services Commission (Mauritius), to be a Director of companies they license.
Peter Saungweme Citizenship: Zimbabwean Position: Chief Finance Officer Appointed on: 01 April 2017	Peter Saungweme is a Chartered Accountant (Zimbabwe). He holds Bachelor of Accounting Science Honours and Bachelor of Accounting Science degrees from the University of South Africa ("UNISA"), Certificate of Theory in Accounting ("CTA") and an Advanced Diploma in Auditing. He possesses strong financial management skills having been the Finance Director of Dawn Properties Limited, a ZSE listed subsidiary of the Company, Financial Controller of Ecobank Zimbabwe Limited and Chief Finance Officer of Cell Holdings (Private) Limited, a holding company with subsidiaries and associates with interests in short term and medical insurance. Peter has audit background in the banking, insurance, tourism and power generation sectors having worked as an Audit Manager for both KPMG Zimbabwe and KPMG Namibia for a combined period of 5 years. Peter sits on the board of directors of two ZSE listed entities namely Dawn Properties Limited and African Sun Limited.

Corporate Governance Statement (continued)

Board of directors' profiles (continued)

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

ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The role of lead independent non - executive director, previously held by Martin Wood up to 19 November 2018, is filled by Mrs Chipo Mtasa.

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

INDEPENDENCE OF THE BOARD

The Board maintains its independence through:

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

Corporate Governance Statement (continued)

INDEPENDENT NON EXECUTIVE DIRECTORS

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

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS AND CONFLICT OF INTERESTS

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

INSURANCE

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

Corporate Governance Statement (continued)

BOARD MEETING ATTENDANCE

The record of each director's attendance to the Board and its Committee meetings held during the year ended 31 December 2018 is as follows:

	Main Board	Audit and Risk Committee	Investments Committee	Remuneration & Nominations Committee	CSR* & Ethics Committee
Number of meetings held	6	4	4	4	2
Directors' attendance					
Mr. Simon F.W Village	6	1^	1^	2	**
Mrs. Chipo Mtasa (A)	-	-	**	-	**
Mr. Simon Nyarota (A)	1	-	**	**	-
Mr. Martin J. Wood ®	6	3	**	1^	2
Mr. George S.J Bennet	6	4	2	3	**
Ms. Audrey M. Mothupi	5	1^	3	1^	2
Mr. Richard N. Charrington	5	4	3	4	**
Mr. Richard G. Muirimi	6	1^	4	4	2
Mr. Brett I. Childs	6	4^	4^	4^	2^
Mr. Peter Saungweme	6	4^	4^	4^	2^

CSR* - denotes Corporate Social Responsibility
** - Not a member of the Committee
^ - Not a member, attended the meetings by invitation
® - Resigned on 7 December 2018
(A) - Appointed on 19 November 2018

PERFORMANCE ASSESSMENT AND DEVELOPMENT

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

EVALUATION OF COMPANY SECRETARY

Imara Trust Company (Mauritius) Limited ("IMARA") are the appointed Company Secretary, in terms of the Mauritius Companies Act. IMARA is licenced and regulated by the Financial Services Commission of Mauritius, effective 2008. All directors have access to information and to the advice and services of the Company Secretary. The Company secretary does not have a board representation and maintains an arm's length relationship with the Board.

After assessing the Company Secretary as required by the JSE Listings Requirements, the Board concluded IMARA is suitably qualified, competent and meets the appropriate experience requirements to carry out the functions of Company Secretary of a public listed company. Furthermore, the Board is satisfied that Imara Trust Company (Mauritius) Limited maintains an arm's length relationship with the Board of directors and is not a director of the Company, nor enjoys any related or inter-related relationship with any of the directors or executives of the Company that could give rise to a conflict of interest. IMARA has been the Company Secretary since the Company's inception.

Corporate Governance Statement (continued)

BOARD COMMITTEES

AUDIT AND RISK COMMITTEE

Financial Reporting Procedures
The Audit and Risk Committee has satisfied itself that the company has established appropriate financial reporting procedures and that these are operating.

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

- Chipo Mtasa (Chairperson appointed on 19 November 2018);
- Simon Nyarota (appointed on 19 November 2018);
- George Bennett;
- Martin Wood (resigned on 7 December 2018); and
- Richard Charrington (resigned on 26 March 2019).

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

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

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

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

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

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

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

Corporate Governance Statement (continued)

BOARD COMMITTEES (CONTINUED)

AUDIT AND RISK COMMITTEE (CONTINUED)

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

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

INVESTMENT COMMITTEE
The Investments Committee ("the Committee") is a committee appointed by the Board and the committee has adopted terms of reference that have been approved by the Board:

The following members serve on the Committee:
- Richard Muirimi (Chairman);
- Audrey Mothupi; and
- George Bennett.

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

REMUNERATION AND NOMINATIONS COMMITTEE
The Remuneration and Nomination Committee ("the Committee") is a committee appointed by the Board. The Committee consists of the following non-executive directors:
- George Bennett (Chairman);
- Chipo Mtasa; and
- Richard Muirimi.

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

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

Corporate Governance Statement (continued)

BOARD COMMITTEES (CONTINUED)

REMUNERATION AND NOMINATIONS COMMITTEE (CONTINUED)

Adoption of a remuneration policy
During the year ended 31 December 2018, the shareholders of the Company adopted a remuneration policy, that addresses remuneration on an organisation wide basis and is one of the components of the Company's corporate governance policy.

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

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

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

Corporate Governance Statement (continued)

BOARD COMMITTEES (CONTINUED)

REMUNERATION AND NOMINATIONS COMMITTEE (CONTINUED)

Remuneration structure (continued)

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

BOARD COMMITTEES (CONTINUED)

REMUNERATION AND NOMINATIONS COMMITTEE (CONTINUED)

Fair and responsible remuneration

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

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

Remuneration of non-executive directors

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

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

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

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

Adoption of race and gender diversity policy

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

CORPORATE SOCIAL RESPONSIBILITY AND ETHICS COMMITTEE

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

- Audrey Mothupi (Chairperson); and
- Simon Nyarota.

Corporate Governance Statement (continued)

BOARD COMMITTEES (CONTINUED)

CORPORATE SOCIAL RESPONSIBILITY AND ETHICS COMMITTEE (CONTINUED)

The CSRE Committee:

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

EXECUTIVE COMMITTEE

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

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

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

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

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

SHARE DEALINGS

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

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

Corporate Governance Statement (continued)

DIRECTORS' INTERESTS IN THE COMPANY'S SHARES

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

	Direct beneficial interest	Indirect beneficial interest	Total	Percentage held (%)
As at 31 December 2018				
Simon F. Village	-	300 000	300 000	0.31%
Richard G. Muirimi	1 000 000	-	1 000 000	1.04%
Brett I. Childs	205 000	-	205 000	0.21%
Richard N. Charrington	-	200 000	200 000	0.21%
George S.J Bennet	-	200 000	200 000	0.21%
Audrey M. Mothupi	25 000	-	25 000	0.03%
Total held by current directors	**1 230 000**	**700 000**	**1 930 000**	**2.01%**
Total held by immediate past directors	-	-	-	-
Total number of shares held by the directors	**1 230 000**	**700 000**	**1 930 000**	**2.01%**
Total number of shares in issue			**96 306 195**	**100.00%**
As at 31 December 2017				
Simon F. Village	-	300 000	300 000	0.35%
Richard G. Muirimi	1 000 000	-	1 000 000	1.16%
Brett I. Childs	205 000	-	205 000	0.24%
Richard N. Charrington	-	200 000	200 000	0.23%
George S.J Bennet	-	200 000	200 000	0.23%
Audrey M. Mothupi	25 000	-	25 000	0.03%
Total held by current directors	**1 230 000**	**700 000**	**1 930 000**	**2.23%**
Walter T. Kambwanji^	-	3 816 801	3 816 801	4.42%
George Manyere^	-	2 022 472	2 022 472	2.34%
Total held by immediate past directors	**-**	**5 839 273**	**5 839 273**	**10.13%**
Total number of shares held by the directors	**1 225 000**	**6 539 273**	**7 769 273**	**9.00%**
Total number of shares in issue			**86 306 195**	

^ - resigned on 30 January 2018 and had sold their entire equity interest in the Company as at the reporting date.

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

Corporate Governance Statement (continued)

DIRECTORS' INTERESTS IN THE COMPANY'S SHARES (CONTINUED)

INTERNAL AUDIT

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

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

STAKEHOLDER COMMUNICATIONS AND RELATIONS

The Board appreciates that stakeholders' perceptions affect the Group's reputation and strives to achieve the appropriate balance between its various stakeholder groupings in the best interest of the Group. The Board has delegated the stakeholder communication and relations role to the Head of Corporate Development and Investor Relations. Structures have been introduced to manage the interface with the various stakeholder groups.

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

Independent Auditor’s Report

To the Shareholders of BRAINWORKS LIMITED

Our adverse opinion

In our opinion, because of the significance of the matter discussed in the Basis for adverse opinion section of our report, the consolidated financial statements do not give a true and fair view of the financial position of Brainworks Limited (the “Company”) and its subsidiaries (together the “Group”) as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

What we have audited

Brainworks Limited’s consolidated financial statements set out on pages 35 to 107 comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for adverse opinion

On 1 October 2018, the Reserve Bank of Zimbabwe issued a monetary policy statement that directed a separation of Foreign Currency Bank Accounts (“FCAs”) into two categories, Nostro FCAs and the RTGS FCAs. The Nostro FCAs were to hold individual foreign currencies permissible in Zimbabwe’s multi-currency economy. The RTGS FCAs would be held at the same value as the US$. Mobile money and bond notes and coins would be treated in the same way as the RTGS FCA.

As described in note 33, during the year ended 31 December 2018, the Company’s Zimbabwean based subsidiaries transacted using a combination of the Nostro FCAs and RTGS FCAs, mobile money and bond notes and coins. In terms of International Accounting Standard (“IAS”) 21, ‘The effects of changes in foreign exchange rates’, these payment methods would have been considered to be separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Company at an appropriate exchange rate. However, due to the monetary policy statement, the consolidated financial statements reflect these transactions and balances at parity. Had the consolidated financial statements been prepared in accordance with the requirements of IAS 21, many elements in the accompanying consolidated financial statements would have been materially restated. The effects on the consolidated financial statements of the failure to prepare the financial statements in accordance with the requirements of IAS 21 have not been determined.

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

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

Key audit matter

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

Independent Auditor's Report (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on trade and other receivables	
The Group adopted IFRS 9, 'Financial Instruments' for the first time in the 2018 reporting period (Previously IAS 39 - Financial instruments: recognition and measurement was applied). As a result, the accounting policies applicable to financial instruments have been amended accordingly. Expected credit losses (the "ECLs") on trade and other receivables was considered a matter of most significance to our current year audit due to the magnitude of the trade and other receivable balances on which ECL has been recognised; the judgements involved in determining the ECL model; and estimates applied by management in developing the ECL model. As at 31 December 2018, the Group recognised net trade and other receivables of US$ 10,930,834, which included an allowance for credit losses of US$ 2,777,462. The Group applies the simplified approach under IFRS 9 to measure ECL on trade and other receivables which uses a lifetime ECL allowance. To measure the ECL, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles of sales and historical credit losses experienced before 1 January 2018. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the trade receivables. The Group has identified the current liquidity crisis and foreign currency shortages to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.	We obtained an understanding of the accounting policies applied in the preparation of the financial statements, and evaluated the impairment methodologies applied by the Group. We obtained an understanding of and tested the relevant controls relating to financial assets subject to impairment, mainly the trade receivables, that included: • the processes over credit approval for trade receivables; • the monitoring process of the trade receivables including the monthly debtors assessment meetings; and • the approval framework for write-offs. We obtained an understanding of the payment terms offered by the Group to trade and other receivables and verified that the terms are less than 1 year. We evaluated the lifetime ECL by performing the following: • by evaluating how the trade receivable balances have been grouped based on shared credit risk characteristics and assessing the reasonableness of the grouping based on the drivers of credit risk; • verifying that ECLs have been calculated on a lifetime basis; • evaluating the reasonableness of historical balances and loss rates within the calculation, including agreeing to supporting evidence; • evaluating and agreeing the forward looking information (including macroeconomic factors) used to adjust historical balances and credit loss rates to publications, companies strategy documents etc; • verifying the mathematical accuracy of the ECL calculation; • assessing the completeness and accuracy of trade receivables ageing analysis used in calculating the ECL; and • evaluating the appropriateness of the assumptions and judgements used by management to estimate how much of the balance is recoverable • recalculating the credit loss allowance for trade receivables by multiplying the gross trade receivable carrying amount with the expected loss rate.

Key audit matter	How our audit addressed the key audit matter
Refer to the following sections in the financial statements that relate to this key audit matter: • Note 3 relating to impact of adoption of IFRS 9 changes in accounting policies, • Note 2.10 relating to the accounting policies for trade receivables impairment of financial assets, • Note 2.114.1 relating to the accounting policies for other financial assets at amortised cost credit risk, • Note 16 relating to trade and other receivables.	On a sample basis, we tested the ageing of the trade receivable balances by recalculating the days past due. We analysed the quality of the trade receivables book of the Group by testing the historical loss rates as follows: • We reperformed the average allowance for credit losses and write-offs percentage for historical credit losses. • We agreed inputs used to calculate the historical loss rates to prior years working papers and financial statements noting no exceptions. We inspected subsequent payments made by trade debtors in 2019 to determine their consistency with regards to payments and their adherence to agreed payment plans. We recalculated the amortisation of other receivables that are recognised at amortised cost for impairment purposes including staff loans and cash and cash equivalents.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property The valuation of investment property was considered a matter of most significance during the current year audit due to the degree of judgement and estimation applied by management in determining the fair value of the investment property. Investment property comprises of hotel and timeshares properties; and timeshares. As at 31 December 2018, the fair value of investment property held by the Group amounts to US$ 23,551,754. The investment property value was determined by Dawn Property Consultancy (Private) Limited (the "Valuer"), which is a wholly owned subsidiary of Brainworks Limited that specialises in property valuations to determine the fair value of the investment property portfolio. As disclosed in note 8 to the financial statements, the Group makes use of the depreciated replacement cost approach to determine the fair value of the hotel properties and timeshares and the market comparison method to determine the fair value of land.	We performed the following procedures to address the valuation of investment property: We evaluated the competence, capabilities, and objectivity of the Valuer and met with the Valuer to obtain an understanding of their work. We inspected the company profile and curricula vitae of the individuals performing the valuation. We obtained the valuation report from the Valuer. The engagement team assessed the appropriateness of the valuation methods used by the Valuer for consistency with the prior years and compliance with the international valuation standards.

Independent Auditor's Report (continued)

Key audit matter	How our audit addressed the key audit matter
The following principal assumptions were applied in determining the fair values of the investment property: • As there is no active market for hotel and timeshares properties in Zimbabwe, the values were based on the depreciated replacement cost basis. This method was used due to the difficulty in estimating inputs to be used to determine the fair value. • For vacant land, a market comparison method was used which entailed comparing the values to that of properties of a similar nature. The land prices were adjusted for contractual, location and inherent differences. Refer to the following sections in the financial statements that relate to this key audit matter: • Note 2.7 relating to the accounting policies for investment property; and • Note 8 relating to investment property.	We considered the reasonableness of the key assumptions used in both valuation methods with reference to replacement costs of the properties and market prices for the land by comparing the: • Replacement cost of hotel and timeshares' properties components as specified by the Valuer to the average prices obtained from external market data; • Expected useful lives to depreciation rates for similar hotel and timeshares properties obtained from the industry; and • Fair value of the land to prices for recent sales transactions for land within the same location and with similar use.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Brainworks Limited Annual Report for the year ended 31 December 2018. Other information does not include the consolidated financial statements on pages 35 to 107 and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group has not applied IAS 21 in preparing the consolidated financial statements. We have concluded that the other information is materially misstated for the same reason, with respect to the amounts or other items in the Brainworks Limited Annual Report for the year ended 31 December 2018 affected by the failure to apply the requirements of IAS 21.

Independent Auditor's Report (continued)

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pricewaterhousecoopers

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

30 April 2019
Harare, Zimbabwe

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018

	Notes	2018 US$	2017 US$
ASSETS			
Non-current assets			
Property and equipment	7	88 954 165	88 438 821
Investment property	8	23 551 754	22 254 000
Intangible assets	9	8 261 050	8 413 956
Investments in associates	11	-	4 370 066
Deferred tax assets	14	1 801 099	1 343 037
Other non-current assets	16.1	2 913 769	502 882
Total non current assets		**125 481 837**	**125 322 762**
Current assets			
Financial assets at fair value through profit or loss	13	-	3 139 091
Inventories	15	5 362 465	7 151 702
Trade and other receivables	16.1	8 017 065	10 557 589
Insurance contract receivables		-	68 840
Cash and cash equivalents	17	16 362 679	10 544 319
Total current assets		**29 742 209**	**31 461 541**
Total assets		**155 224 046**	**156 784 303**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Stated capital	21.1	63 088 923	55 785 508
Non-distributable reserve		(643 428)	(643 428)
Foreign currency translation reserve		(322 302)	(272 713)
Retained profits/(accumulated losses)		944 462	(3 394 300)
Equity attributable to shareholders of parent		**63 067 655**	**51 475 067**
Non-controlling interests	23	38 677 028	34 151 255
Total equity		**101 744 683**	**85 626 322**
LIABILITIES			
Non current liabilities			
Borrowings	18	4 174 081	9 935 373
Deferred tax liabilities	19	9 737 274	9 113 735
Deferred lease income		296 406	204 036
Trade and other payables	20	-	1 130 149
Total non current liabilities		**14 207 761**	**20 383 293**
Current liabilities			
Borrowings	18	12 892 525	28 388 655
Trade and other payables	20	25 777 506	19 000 001
Deferred lease income		30 868	14 782
Insurance contract liabilities		-	1 397 443
Investment contract liabilities		-	943 112
Current income tax payable		570 703	1 030 695
Total current liabilities		**39 271 602**	**50 774 688**
Total liabilities		**53 479 363**	**71 157 981**
Total equity and liabilities		**155 224 046**	**156 784 303**

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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 US$	2017 US$
Revenue	6	79 296 722	58 586 714
Cost of sales and other direct costs	6	(25 599 671)	(19 131 121)
Gross profit		**53 697 051**	**39 455 593**
Fair value gain/(losses) on financial assets at fair value through profit or loss	13	979 561	(2 189 551)
Operating expenses	25	(47 898 694)	(40 256 440)
Reversal of impairment losses on financial assets		129 988	-
Other gains/(losses)	26	6 276 784	(384 502)
Sundry income	27	4 642 212	1 724 867
Operating profit/(loss) before finance cost		**17 826 902**	**(1 650 033)**
Finance income	28.1	114 503	172 001
Finance costs	28.2	(3 272 000)	(4 414 067)
Net finance costs		**(3 157 497)**	**(4 242 066)**
Share of profit/(loss) of associates	11	512 289	(112 732)
Profit/(loss) before income tax		**15 181 694**	**(6 004 831)**
Income tax expense	29	(4 767 245)	(2 042 401)
Profit/(loss) for the year		**10 414 449**	**(8 047 232)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gains on translation of foreign operations		(86 031)	32 399
Recycled foreign currency translation reserve		-	-
Total other comprehensive /(loss)/income for the year		**(86 031)**	**32 399**
Total comprehensive income/(loss) for the year		**10 328 418**	**(8 014 833)**
Profit/(loss) attributable to:			
Owners of the parent		4 951 126	(11 099 520)
Non-controlling interests		5 463 323	3 052 288
		10 414 449	**(8 047 232)**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		4 901 537	(11 080 845)
Non-controlling interests		5 426 881	3 066 012
		10 328 418	**(8 014 833)**
Earnings/(loss) per share attributable to:			
Owners of the parent for the year: cents			
Basic earnings/(loss) per share	22	6.18	(14.68)
Diluted earnings/(loss) per share	22	6.18	(14.68)

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

Consolidated Statement of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

		ATTRIBUTABLE TO OWNERS OF BRAINWORKS LIMITED								
	Notes	Stated capital US$	Share capital US$	Share premium US$	Non-distrib-utable reserve US$	Transla-tion reserve US$	Retained prof-its/(accumu-lated losses) US$	Total US$	Non-controlling interests US$	Total equity US$
YEAR ENDED 31 DECEMBER 2017										
Balance as at 1 January 2017		**-**	**78 532**	**58 456 976**	**(643 428)**	**(291 388)**	**7 705 220**	**65 305 912**	**31 085 243**	**96 391 155**
(Loss)/profit for the year		-	-	-	-	-	(11 099 520)	**(11 099 520)**	3 052 288	**(8 047 232)**
Other comprehensive income for the year		-	-	-	-	18 675	-	**18 675**	13 724	**32 399**
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**-**	**18 675**	**(11 099 520)**	**(11 080 845)**	**3 066 012**	**(8 014 833)**
Transactions with owners in their capacity as owners:										
Recognition of treasury shares		-	(29 056)	(2 720 944)	-	-	-	**(2 750 000)**	-	**(2 750 000)**
Conversion of shares to shares of no par value		55 785 508	(49 476)	(55 736 032)	-	-	-	**-**	-	**-**
		55 785 508	**(78 532)**	**(58 456 976)**	**-**	**-**	**-**	**(2 750 000)**	**-**	**(2 750 000)**
Balance as at 31 December 2017		**55 785 508**	**-**	**-**	**(643 428)**	**(272 713)**	**(3 394 300)**	**51 475 067**	**34 151 255**	**85 626 322**
YEAR ENDED 31 DECEMBER 2018										
Balance as at 1 January 2018 (as previously stated)		**55 785 508**	**-**	**-**	**(643 428)**	**(272 713)**	**(3 394 300)**	**51 475 067**	**34 151 255**	**85 626 322**
Restatement as a result of adoption of IFRS 9	3.3	-	-	-	-	-	(477 364)	**(477 364)**	(342 582)	**(819 946)**
		55 785 508	**-**	**-**	**(643 428)**	**(272 713)**	**(3 871 664)**	**50 997 703**	**33 808 673**	**84 806 376**
Total comprehensive income:										
Profit for the year		-	-	-	-	-	4 951 126	**4 951 126**	5 463 323	**10 414 449**
Other comprehensive loss for the year		-	-	-	-	(49 589)	-	**(49 589)**	(36 442)	**(86 031)**
Dividends declared and paid to non-controlling interests		-	-	-	-	-	-	**-**	(558 526)	**(558 526)**
Total comprehensive (loss)/ income for the year		**-**	**-**	**-**	**-**	**(49 589)**	**4 951 126**	**4 901 537**	**4 868 355**	**9 769 892**
Transactions with owners in their capacity as owners:										
Derecognition of treasury shares	21.1	2 750 000	-	-	-	-	(135 000)	**2 615 000**	-	**2 615 000**
Issue of shares	21.1	4 553 415	-	-	-	-	-	**4 553 415**	-	**4 553 415**
		7 303 415	**-**	**-**	**-**	**-**	**(135 000)**	**7 168 415**	**-**	**7 168 415**
Balance as at 31 December 2018		**63 088 923**	**-**	**-**	**(643 428)**	**(322 302)**	**944 462**	**63 067 655**	**38 677 028**	**101 744 683**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 US$	2017 US$
Profit/(loss) before income tax		**15 181 694**	**(6 004 831)**
Adjustments for non-cash items:			
Depreciation	7	4 241 909	4 035 349
Amortisation of intangible assets	9	22 097	132 580
Impairment of property and equipment	7	-	44 400
Share of (profit)/loss of associates	11	(512 289)	112 732
Profit from disposal of associate	26	(3 005 626)	-
Fair value (gains)/losses on financial assets at fair value through profit or loss	13	(979 561)	2 189 551
Fair value gain on remeasurement of investment in associates on transfer to financial assets at fair value through profit or loss	26	(4 082 299)	-
Net increase/(decrease) in provisions		4 153 858	(134 353)
Impairment allowance on trade and other receivables	25	372 604	959 085
Trade and other receivables written off	25	396 066	192 221
Loss from disposal of subsidiary	26	947 341	-
Fair value (gains)/losses on investment property	26	(949 580)	384 502
Loss from disposal of financial assets at fair value through profit or loss	26	813 380	-
(Profit)/loss from disposal of property and equipment	27	(890 860)	203 751
Unwinding of interest of staff debtors	27	-	(19 692)
Interest income	28.1	(114 503)	(172 001)
Interest expense	28.2	3 272 000	4 414 067
Other non-cash items		-	(183)
		18 866 231	**6 337 178**
Working capital changes:			
Changes in inventory		1 789 237	(2 357 938)
Changes in trade and other payables		1 509 584	5 512 109
Changes in trade and other receivables		(2 213 016)	(685 391)
Cash generated from operations		**19 952 036**	**8 805 958**
Dividends received	11	149 836	283 178
Dividends declared and paid to non-controlling interests		(558 526)	-
Income tax paid		(4 439 338)	(581 123)
Interest received	28.1	114 503	172 001
Interest paid		(2 708 238)	(3 660 408)
Cash generated from operating activities		**12 510 273**	**5 019 606**
Cash flows from investing activities			
Acquisition of financial assets at fair value through profit or loss		-	(435 680)
Proceeds from disposal of financial assets at fair value through profit or loss		2 616 551	90 000
Proceeds from disposal of property and equipment		2 260 240	983 315
Purchase of equipment	7	(6 254 407)	(3 276 078)
Capital expenditure on investment properties	8	(45 942)	(62 267)
Acquisition of investment property	8	(887 232)	-
Proceeds from disposal of investment property		200 000	-
Proceeds from disposal of subsidiary	10.2.1	1 883 847	
Cash and cash equivalents transferred on disposal of subsidiary	10.2.2	(482 511)	-
Proceeds from disposal of treasury shares	21.3	1 006 557	-
Net cash generated from /(used in) investing activities		**297 103**	**(2 700 710)**
Cash flows from financing activities			
Proceeds from borrowings		208 416	19 125 974
Repayment of borrowings		(11 716 705)	(16 508 398)
Proceeds from issue of ordinary shares	21.1	4 553 415	-
Net cash (used in)/generated from financing activities		**(6 954 874)**	**2 617 576**
Net increase in cash and cash equivalents		**5 852 502**	**4 936 472**
Exchange gain on cash and cash equivalents		(34 142)	14 837
Cash and cash equivalents at beginning of year		10 544 319	5 593 010
Cash and cash equivalents at end of year	**17**	**16 362 679**	**10 544 319**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

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

Brainworks Limited is a public company which was incorporated in the Republic of Mauritius on 22 April 2013. The Company is domiciled in the Republic of Mauritius and has its registered office at c/o Imara Trust Company (Mauritius) Limited, Level 2 Silicone Avenue, Alexander House, 35 Ebène, Cybercity 72201, Republic of Mauritius.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") except for the non-compliance with International Accounting Standard ("IAS") 21, the Effects of Changes in Foreign Exchanges Rates described in note 33.1 and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") as issued by the International Accounting Standards Board ("IASB"), the SAICA Financial Reporting Guides as issued by the Accounting Standards Practices Committee, the Financial Reporting Pronouncements as issued by Financial Reporting Standards Council ("FRSC"), and in the manner required by the Mauritius Companies Act 2001.

The financial statements have been prepared under historical cost convention as modified by the revaluation of biological assets, investment property and financial assets at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity whose assumptions and estimates are significant to the financial statements are disclosed in note 5.

2.1.2 Going concern

As at 31 December 2018, the Group's current liabilities exceeded its current assets by US$9.5 million (2017: US$19.3 million). Loans obligations that fall due within the next 12 months amounted to US$12.9 million; US$9.2 million of which was jointly due by Brainworks Capital Management (Private) Limited and Brainworks Limited. The balance of US$3.7 million was held at the operating subsidiaries level.

In spite of the working capital still being negative as at 31 December 2018, the current position reflects notable improvement relative to the negative working capital position of US$19.3million as at 31 December 2017. This is due to the fact that the Company raised US$4.6 million cash in fresh equity capital during the year, which was predominantly deployed towards loan and creditor repayments by the Group. In addition, the Group further reduced its debt exposure through a number of transactions that are documented in note 13. These initiatives resulted in reduction of Group debt from US$38.3 million as at 31 December 2017 to US$17.1 million as at the reporting date.

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

Based on the aforementioned, the Directors have assessed the ability of the Group to continue as a going concern and are of the view that the preparation of these financial statements on a going concern basis is appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 Changes in accounting policy and disclosures

a) New standards, amendments and interpretations, effective 1 January 2018

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2018 and are relevant to the Group:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 9 (new)	Financial instruments	1 January 2018
IFRS 15 (new)	Revenue from contracts with customers	1 January 2018
IFRS 15 (amendment)	Revenue from contracts with customers	1 January 2018
IAS 40 (amendment)	Investment property	1 January 2018
IFRS Interpretations Committee ("IFRIC") 22	'Foreign currency transactions and advance consideration	1 January 2018
IAS 28 (improvement)	Investments in associates and joint ventures	1 January 2018

IFRS 9

IFRS 9, 'Financial instruments (2009)', amended, and effective 1 January 2018. This IFRS is part of the IASB project to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 'Financial instruments: recognition and measurement', with a single model that has only two classification categories: amortised cost and fair value. IFRS 9 also includes an expected credit loss model that replaces the current incurred loss impairment model.

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 without change, except for financial liabilities that are designated at fair value through profit or loss.

The impact of adoption of IFRS 9 on the Group's financial statements is disclosed in note 3.

IFRS 15

IFRS 15, 'Revenue from contracts with customers', effective 1 January 2018 - Establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

IFRS 15 amendment

IFRS 15, 'Revenue from contracts with customers', amended and effective 1 January 2018. The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

The Group adopted IFRS 15 from 1 January 2018 which resulted in changes in accounting policies. The new standard on revenue recognition resulted in changes in narratives for accounting policies for revenue but did not change the basis for recognising revenue. The impact of the changes in accounting policies are disclosed in the notes 2.20 and 6.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

a) New standards, amendments and interpretations, effective 1 January 2018 (continued)

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2018 and are relevant to the Group (continued);

IAS 40 amendments

IAS 40, 'Investment property'; effective 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

IFRIC 22

IFRIC 22, 'Foreign currency transactions and advance consideration' - This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

Improvements to IAS 28

Improvements to IAS 28, 'Investments in associates and joint ventures' regards the measurement of an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss ("FVTPL"). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition.

The new standards, amendments and intepretations, excluding IFRS 9 and IFRS 15 that have been disclosed separately, do not have a material impact on the financial statements of the Group.

b) New standards, amendments and interpretations effective for accounting periods beginning on 1 January 2018 and not relevant to the Group

The following amendments are effective for the period beginning on 1 January 2018 and are not relevant to the Group:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 1 (improvement)	First time adoption of IFRS	1 January 2018
IFRS 2 (amendment)	Share based payments	1 January 2018
IFRS 4 (amendment)	Insurance contracts	1 January 2018
IFRS 9 (amendment) on general hedge accounting	Financial instruments	1 January 2018

Improvements to IFRS 1

Improvements to IFRS 1,' First-time adoption of IFRS', regards the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.

IFRS 2 amendment

Amendments to IFRS 2 – 'Share-based payments', effective 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

b) New standards, amendments and interpretations effective for accounting periods beginning on 1 January 2018 and not relevant to the Group (continued)

IFRS 4 amendment
Amendment to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments' effective 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39.

IFRS 9 amendment
Amendment to IFRS 9 - "Financial instruments', effective 1 January 2018. The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

(c) New standards, amendments and interpretations issued but not effective for the financial period beginning after 1 January 2018 and are relevant to the Group and have not been early adopted

The following new standards, amendments and interpretations have been issued but are not effective for the accounting period beginning on 1 January 2018 are relevant and have not been early adopted by the Group:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 16 (new)	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IAS 28 (amendment)	Investments in associates and joint ventures -Long term interests in associates and joint ventures	1 January 2019
IFRS 10 and IAS 28 (amendment)	Consolidated financial statements and investments in associates and joint ventures	Postponed (initially 1 January 2018)

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

Under IAS 17, 'Leases', lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short term leases and leases of low value assets. However, this exemption can only be applied by lessees.

For lessors, the accounting stays the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

(c) New standards, amendments and interpretations issued but not effective for the financial period beginning after 1 January 2018 and are relevant to the Group and have not been early adopted (continued)

IFRS 16 (continued)
IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an arrangement contains a lease', SIC 15, 'Operating leases – Incentives' and SIC 27, 'Evaluating the substance of transactions involving the legal form of a lease'. A company can choose to apply IFRS 16 before the effective date but only if it also applies IFRS 15, 'Revenue from contracts with customers'.

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

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

The Group expects to recognise right-of-use assets of approximately US$21 million on 1 January 2019, lease liabilities of US$22 million and deferred tax assets of US$0.3 million. Overall net assets will be approximately US$0.7 million lower. The Group expects that profit for the year will increase by approximately US$0.3 million for 2019 as a result of adopting the new rules. Earnings before interest, tax, depreciation and amortisation ("EBITDA") is expected to increase by approximately US$3.2 million, as the operating lease payments were included in EBITDA, but the amortisation of the right- of-use assets and interest on the lease liability are excluded from this measure.

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

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

IFRIC 23
IFRIC 23, 'Uncertainty over income tax treatments' effective 1 January 2019 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12, was silent, and explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the interpretation and consider the impact on income tax accounting.

IAS 28
The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

IFRS 10 and IAS 28 amendments
Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture effective - postponed (initially 1 January 2016). The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

The Group is considering the implications of these new standards, amendments and interpretations, their impact on the Group and the timing of their adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

(d) Annual improvements relevant to the Group

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 3, 'Business combinations'	The amendment clarifies that a company remeasures its previously held interest in a joint operation when it obtains control of the business.	1 January 2019
IFRS 11, 'Joint arrangements'	The amendment clarifies that a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.	1 January 2019
IAS 12, 'Income taxes'	The amendment clarifies that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.	1 January 2019
IAS 23,' Borrowings'	The amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.	1 January 2019

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the statement of comprehensive income.

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (continued)

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

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

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

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

- Dawn Properties Limited, 66.81% shareholding (31 December 2017: 66.81%) and is listed on the Zimbabwe Stock Exchange ("ZSE");
- African Sun Limited, 57.67% shareholding (31 December 2017: 57.67%) and is listed on the ZSE;
- Brainworks Petroleum (Private) Limited,100% shareholding (31 December 2017: 100%). Brainworks Petroleum holds an investment in FML Logistics (Private) Limited ("FML Logistics"). The shareholding in FML Logistics is 100% (31 December 2017: 100%);
- Lengrah Investments (Private) Limited, 100% shareholding (31 December 2017: 100%);
- Brainworks Hotels and Real Estate (Private) Limited, 100% shareholding (31 December 2017: 100%); and
- GetSure Life Assurance (Private) Limited, nil shareholding (31 December 2017: 100%).

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

(b) Associates

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

As at 31 December 2018, the Group held an associate investment, this being 49% shareholding in Coporeti Support Services (Private) Limited t/a GetCash, 49% shareholding (31 December 2017: 49%). The investment was fully impaired in the prior year.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (continued)

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) Joint arrangements

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

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

The investment in Victoria Falls Hotel Partnership, is categorised as a joint operation and is therefore proportionately consolidated.

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of comprehensive income as part of the fair value gain or loss.

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing foreign exchange rate at the date of that statement of financial position.
(ii) income and expenses for each statement of comprehensive income are translated at average foreign exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) all resulting exchange differences are recognised in other comprehensive income.

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

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

2.5 Property and equipment

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

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

Land is not depreciated.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property and equipment (continued)

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

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

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

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

2.6 Intangible assets

2.6.1 Software

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

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (continued)

2.6.2 Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses from the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

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

2.7 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property. Investment property is measured initially at cost, including related transaction costs and where applicable borrowing costs.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment property (continued)

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

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

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

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

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

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

2.8 Classification of property

Owner occupied property comprise property which is owned by the Group but is significantly occupied by any of the group companies, regardless of the leasing of the property being at market related rentals and terms. Significant occupation by the Company and group companies is considered as 10% (2017: 10%) of the total lettable space or above. Such owner occupied properties are classified under property, plant and equipment and depreciated in line with the Group accounting policies.

2.9 Impairment of assets

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Trade receivables

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets, if not they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. The effective interest method is the method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

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

2.11 Other financial assets at amortised cost

2.11.1 Classification

Other financial assets at amortised cost include staff loans, receivables from related parties and other receivables.

From 1 January 2018, the Group classified its financial assets in the following measurement categories, based on the Group's business model for managing the financial assets and the contractual terms of the cash flows:

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

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

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

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

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

2.11.2 Measurement

At initial recognition, the Group measures a financial asset classified at amortised cost at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Interest income from these financial assets is included in finance income using the effective interest rate method. The effective interest rate method is the method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or expense over the relevant period. Financial assets at fair value through profit or loss are subsequently carried at fair value. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Other financial assets at amortised cost (continued)

2.11.3 Recognition and derecognition

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

2.11.4 Off-setting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11.5 Impairment of financial assets

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

The Group assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Group and Company compare the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

The Group monitors all financial assets and contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Other financial assets at amortised cost (continued)

2.11.6 Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 prospectively and has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 December 2017, the Group and Company classified its financial assets in the following categories:

a) financial assets at fair value through profit or loss, and
b) loans and receivables,

The classification depended on the purpose for which the investments were acquired. The directors determined the classification of investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

All the financial assets held by the Group as at 31 December 2017 met the loans and receivables criteria of classification.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9. Subsequent to the initial recognition, loans and receivable were carried at amortised cost using the effective interest method.

Impairment of financial assets - assets carried at armotized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If a financial asset at amortised cost has a variable interest rate, the discount rate for measuring any impairment allowance is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment allowance decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment allowance is recognised in the statement of comprehensive income.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Inventories

Inventories consist of the following:

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

2.13 Cash and cash equivalents

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

2.14 Share capital

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

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

2.15 Trade payables

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

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

2.16 Borrowings

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Income tax

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

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

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

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

2.18 Provisions

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

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

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

2.19 Employee benefits

(a) Pension obligations

The Group has a defined contribution pension plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay employees the benefits relating to employee service in the current year and prior years.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at either of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that are within the scope of 'IAS 37 Provisions, contingent liabilities and contingent assets', and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Bonus plans

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

2.20 Revenue recognition

The Group adopted IFRS 15, "Revenue from contracts with customers" from 1 January 2018 which resulted in changes in accounting policies.

New accounting policies on revenue from contracts with customers are summarised below.

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

(a) Revenue from sale of room nights

This revenue is recognised every night when we have satisfied the performance obligations relating to the revenue. This entails us providing the specified room to the customers at which point we satisfy the performance obligation to the customer. The transaction price is specified to the customer when they make a reservation or a booking. Customers pay upfront for the service with the exception of customers on account who pay in accordance with the pre-agreed conditions.

(b) Revenue from sale of food and beverages

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

(c) Revenue from gaming

In terms of gaming, a contract exists in terms of customary business practice where the transaction is approved by the customer's acceptance of the relevant entity of a wager. The performance obligations are dependent on the game being played. For each of the games, the casino has a performance obligation to honor the outcome of any game played. The revenue is then measured on a net basis considering the number of wins against the number of losses for the gaming house. The revenue is recognised at the point when we earn it, that is when the performance obligation is satisfied.

(d) Revenue from conferencing

We provide conference facilities at our respective hotels and derive revenue from that. The revenue is recognised when the performance obligation is satisfied which is when we have provided a conference facility to the customer as per their request and our capability. The conference package may contain food and beverages. However, these will be allocated to revenue from sale of food and beverages, in accordance revenue recognition policy described in note 2.20 (b) above.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (continued)

(e) Revenue from valuation and consultancy services

Income from rendering of services is recognised in the accounting period in which the property valuation, management and consultancy services are rendered by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(f) Revenue from distribution and logistics

Revenue from fuel transportation services is recognised when the Group has delivered the fuel to the customer.

(g) Revenue from the sale of timeshares

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

(h) Interest income

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

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

2.21 Revenue from rentals

Rental income from operating leases is recognised in the accounting period in which the property is occupied by the tenant, in accordance with principles of IAS17, Leases.

2.22 Cost of sales

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

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

2.23 Leases

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

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

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

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared by the Company's directors.

3 IMPACT OF ADOPTION OF IFRS 9

This note explains the impact of the adoption of "IFRS 9 - Financial instruments" on the Group's financial statements.

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

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

3.1 Classification and measurement

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

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

Adoption of IFRS 9 did not have an impact on both measurement or classification of the Group's financial liabilities.

3.2 Impairment

a) Impairment of trade receivables

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

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

i) trade receivables from sale of rooms, food, beverages, conferencing, gaming and other related activities;
ii) trade receivables from provision of property advisory services;
iii) trade receivables from provision of logistics services;
iv) staff receivables;
v) other receivables at armotised cost; and
vi) cash and cash equivalents.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3 IMPACT OF ADOPTION OF IFRS 9 (CONTINUED)

3.2 Impairment (continued)

a) Impairment of trade and other receivables (continued)

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

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

The expected loss rates are based on the historical payment profiles of sales and historical credit losses experienced before 1 January 2018.

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

On that basis, the credit loss allowance as at 31 December 2018 and 1 January 2018 was determined as follows for trade receivables.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3 IMPACT OF ADOPTION OF IFRS 9 (CONTINUED)

3.2 Impairment (continued)

a) Impairment of trade and other receivables (continued)

	Current US$	More than 30 days past due US$	More than 60 days past due US$	More than 90 days past due US$	More than 120 days past due US$	Total US$
1 January 2018						
Trade receivables - hospitality						
Expected credit loss rate	6%	8%	8%	50%	100%	**27%**
Gross carrying amount	1 528 117	723 088	513 773	324 826	672 910	**3 762 714**
Credit loss allowance	96 123	57 847	41 102	162 413	672 910	**1 030 395**
Carrying amount	**1 431 994**	**665 241**	**472 671**	**162 413**	**-**	**2 732 319**
Trade receivables - real estate						
Expected credit loss rate	27%	4%	26%	29%	100%	**60%**
Gross carrying amount	36 836	52 357	28 893	11 528	138 998	**268 612**
Credit loss allowance	9 823	1 915	7 442	3 377	138 998	**161 555**
Carrying amount	**27 013**	**50 442**	**21 451**	**8 151**	**-**	**107 057**
Trade receivables - other						
Expected credit loss rate	5%	-	-		100%	**60%**
Gross carrying amount	227 055	-	-	-	317 675	**544 730**
Credit loss allowance	11 669	-	-	-	317 675	**329 344**
Carrying amount	**215 386**	**-**	**-**	**-**	**-**	**215 386**
GROUP						
Expected credit loss rate	7%	8%	9%	49%	100%	**26%**
Gross carrying amount	1 792 008	775 445	542 666	336 354	1 129 583	**4 576 056**
Credit loss allowance	117 615	59 762	48 544	165 790	1 129 583	**1 521 294**
Carrying amount	**1 674 393**	**715 683**	**494 122**	**170 564**	**-**	**3 054 762**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3 IMPACT OF ADOPTION OF IFRS 9 (CONTINUED)

3.2 Impairment (continued)

b) Impairment of other financial assets at amortised cost

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

The closing credit loss allowance for trade receivables as at 31 December 2018 reconciles to the opening credit loss allowance as follows:

	Trade receivables US$	Other financial assets at armotised cost US$	Total US$
As at 31 December 2018 - calculated under IAS 39	**762 029**	**629 106**	**1 391 135**
Increase in credit loss allowance charged to retained earnings	759 265	311 801	**1 071 066**
Opening credit loss allowance as at 1 January 2018 calculated under IFRS 9	1 521 294	940 907	**2 462 201**
Net credit loss allowance recognised in profit or loss during the year (note 16.2)	173 799	198 805	**372 604**
Trade receivables written off as uncollectible	(57 343)	-	**(57 343)**
	1 637 750	**1 139 712**	**2 777 462**

Refer to note 2.11.5 for the Group's methodology in determining the expected credit loss.

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

3.3 Impact on the financial statements

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

3 IMPACT OF ADOPTION OF IFRS 9 (CONTINUED)

3.3 Impact on the financial statements (continued)

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

3.4 Impact on accounting policies applied from 1 January 2018

Classification

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

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

ii) those to be measured at armotised cost.

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

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

Measurement

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

Impairment

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks; market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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

(i) Market risk

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

(a) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations denominated in a currency that is not the entity's functional currency.The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the South African Rand as certain hotel bookings are made and settled in these two currencies. The Group's functional currency is the US$.

Management has set up a policy that allows the finance department to manage the Group's foreign exchange risk against the various functional currencies. To manage the Group's foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the finance department performs foreign currency asset and liability matching methods, and if considered necessary, may enter into forward exchange transactions. The are no changes in how foreign exchange risk is managed relative to the previous periods.

The table below summarises the Group's exposure to foreign exchange risk as at 31 December 2018. Included in the table are the Group's assets and liabilities at carrying amounts categorised by currency:

	2018 US$	2017 US$
Assets		
South African rand	1 551 779	375 776
Botswana pula	6 631	2 948
Australian dollar	55	61
Euro	24 074	2 483 504
British pound	4 816	2 952
	1 587 355	**2 865 241**
Liabilities		
South African rand	(150 328)	(80 885)
Net currency position	**1 437 027**	**2 784 356**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(i) Market risk (continued)

(a) Foreign exchange risk (continued)

As at 31 December 2018, if the United States of America dollar (weakened)/strengthened by 10% against all the other currencies with all other variables held constant, post tax profit/(loss) for the year and total equity would have been US$143 703 lower or higher (2017: US$278 436 higher or lower) for the Group.

There were no hedges in place as at 31 December 2018 (2017: US$nil).

(b) Cash flow and fair value interest rate risk

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

The Group's fixed rate borrowings and trade and other receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in IFRS 7, 'Financial instruments: disclosures' since neither the carrying amount nor the future cashflows will fluctuate because of a change in market interest rate.

The Group manages its cash flow interest rate risk by renegotiating fixed interest rates whenever there are changes in the market.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run for all interest-bearing positions.

Currently, the Group does not undertake any hedging of its short-term loans due to the nature and terms of the loan facilities. On long-term loans, the Group assesses risks and considers hedging where necessary. As at 31 December 2018, there were no hedges in place (2017: US$nil).

(c) Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Group is not exposed to commodity price risk.

As at the reporting date, the Group did not have financial assets exposed to price risk. The financial assets at fair value through profit or loss which the Group and Company had at the beginning of the year were sold during the year.

The table below summarises the impact of increases/decreases of the index on the Group's equity and post-tax profit for the year. The analysis is based on the assumption that the fair value of the equity securities increased or decreased by 5% with all other variables held constant:

	2018 US$	2017 US$
Impact of 5% change in fair value		
- Impact on profit or loss	-	156 955

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(ii) Credit risk

Credit risk is the risk that one party to the financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk is managed primarily at operating subsidiary level. Credit risk arises from cash at banks, and deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables and committed transactions. For banks and financial institutions, only well established and reliable institutions are used.

For corporate customers, the subsidiaries assess the credit quality of the customers taking into account their financial position, past experience and other factors in the market. Individual limits are set based on internal and external information and only a few debtors with a good track record are allowed to exceed their credit limit in exceptional circumstances.

Counterparty risk is further managed by constant engagement of credit customers to determine the current position and recoverability. All credit granted is subject to terms and conditions, where upon breach by the customers, the Group takes legal action where amounts are material and recovery is possible. Receivables handed over for legal action are generally provided for in full as uncollectible and are reversed when recovered.

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

	2018 US$	2017 US$
Gross trade and other receivables (excluding pre-payments)	7 906 494	8 292 521
Insurance contract receivables	-	68 840
Cash at bank	16 362 679	10 544 319
	24 269 173	**18 905 680**

The fair value of cash at hand as at 31 December 2018 and 31 December 2017 approximate carrying amounts. Trade and other receivables excluding pre-payments are shown before allowance for impairment to show maximum exposure.

Refer to note 3 for further disclosures relating to the Group's trade and other recievables' credit risk related disclosures.

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

	2018 US$	2017 US$
AA	2 908 228	877 869
AA-	1 108 075	2 833 374
A+	1 476 997	120 765
A	2 758 254	3 239 776
A-	290 127	26 287
BBB+	5 526 254	2 722 876
BBB	1 134 734	225 964
BBB-	1 087 060	256 478
BB+	10 490	43 111
BB	54 356	-
BB-	-	22 689
No rating	8 104	175 130
	16 362 679	**10 544 319**

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(iii) Liquidity risk

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

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

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

The liquidity risk on foreign creditors and lenders has significantly increased due to delay of foreign payments. The delay arises from a combination of unavailability of funds in the nostro accounts and delay due to exchange control priority backlog. Refer note 17 for additional disclosures under cash and cash equivalents.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(iii) Liquidity risk (continued)

As at 31 December 2018	Less than 1 year US$	1 to 5 years US$	More than 5 years US$	Total contractual cashflows US$	Total carrying amount US$
Liabilities					
Borrowings	14 244 283	4 142 890	-	**18 387 173**	**17 066 606**
Trade and other payables (excluding statutory liabilities)	13 708 170	-	-	**13 708 170**	**25 777 506**
Total liabilities	**27 952 453**	**4 142 890**	**-**	**32 095 343**	**42 844 112**
Assets held for managing liquidity risk					
Trade and other receivables (excluding prepayments)	6 740 623	-	-	**6 740 623**	**6 268 744**
Cash and cash equivalents	16 362 679	-	-	**16 362 679**	**16 362 679**
	23 103 302	**-**	**-**	**23 103 302**	**22 631 423**
Liquidity gap	**(4 849 151)**	**(4 142 890)**	**-**	**(8 992 041)**	
Cumulative liquidity gap	**(4 849 151)**	**(8 992 041)**	**(8 992 041)**	**-**	
As at 31 December 2017					
Liabilities					
Borrowings	30 720 811	10 512 242	-	**41 233 053**	**38 324 028**
Trade and other payables (excluding statutory liabilities)	14 490 699	1 130 148	-	**15 620 847**	**20 130 150**
Investment contract liabilities	943 112	-	-	**943 112**	**943 112**
Total liabilities	**46 154 622**	**11 642 390**	**-**	**57 797 012**	**59 397 290**
Assets held for managing liquidity risk					
Trade and other receivables (excluding prepayments)	6 337 174	502 882	-	**6 840 056**	**10 815 471**
Financial assets at fair value through profit or loss (Treasury bills)	182 962	575 177	-	**758 139**	**679 917**
Insurance contract receivables	68 840	-	-	**68 840**	**68,840**
Cash and cash equivalents	10 449 957	95 212	-	**10 545 169**	**10 544 319**
	17 038 933	**1 173 271**	**-**	**18 212 204**	**22 108 547**
Liquidity gap	**(29 115 689)**	**(10 469 119)**	**-**	**(39 584 808)**	
Cumulative liquidity gap	**(29 115 689)**	**(39 584 808)**	**(39 584 808)**	**-**	

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(iii) Liquidity risk (continued)

The Group expects to close the liquidity gap with the passage of time as working capital increases as a result of positive cash generated from operations and through the additional interventions detailed under note 2.1.2 to these financial statements. The Group is confident that these interventions will successfully address the liquidity gap.

4.2 Capital management

The capital of the Group consists of debt (as detailed in note 18) and equity which comprises stated capital, accumulated losses and other reserves. There were no changes in the components of debt and equity in the prior year.

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

None of the entities within the Group have externally imposed regulatory capital thresholds.
In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt. During the financial year ended 31 December 2018, the Group's strategy was to maintain gearing ratio below 45% (2017: 45%).

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

	2018 US$	2017 US$
Total borrowings (note 18)	17 066 606	38 324 028
Less cash and cash equivalents (note 17)	(16 362 679)	(10 544 319)
Net debt	**703 927**	**27 779 709**
Total equity	101 744 683	85 626 322
Total capital	**102 448 610**	**113 406 031**
Gearing ratio	**1%**	**24%**
Net debt reconciliation		
This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.		
Cash and cash equivalents	16 362 679	10 544 319
Liquid investments	-	3 139 091
	16 362 679	**13 683 410**
Total borrowings (fixed interest rates)	17 066 606	38 324 028
Net debt	**(703 927)**	**(24 640 618)**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital management (continued)

	Other assets		Liabilities from financing activities	
	Cash at bank including bank overdraft US$	Liquid investments US$	Borrowings US$	Total US$
Net debt as at 1 January 2017	**5 593 010**	**4 892 962**	**(34 979 208)**	**(24 493 236)**
Cashflows (based on total of amounts on the statement of cashflows)	4 936 472	435 680	(3 371 235)	**2 000 917**
Fair value gains (note 13)	-	(2 189 551)	-	**(2 189 551)**
Foreign exchange gains	14 837	-	-	**14 837**
Other non-cash movements	-	-	26 415	**26 415**
Net debt as at 31 December 2017	**10 544 319**	**3 139 091**	**(38 324 028)**	**(24 640 618)**
Net debt as at 1 January 2018	**10 544 319**	**3 139 091**	**(38 324 028)**	**(24 640 618)**
Cashflows (based on total of amounts on the statement of cashflows)	5 852 502	-	10 944 527	**16 797 029**
Fair value losses (note 13)	-	979 561	-	**979 561**
Reclassification from investments in associates (note 13)		6 542 311	-	**6 542 311**
Recognition of GetSure loan obligation on sale of subsisiary*	-	-	(139 177)	**(139 177)**
Foreign exchange losses	(34 142)	-	-	**(34 142)**
Disposals (note 13)	-	(8 015 004)	-	**(8 015 004)**
Maturity of treasury bills (note 13)	-	(155 773)	-	**(155 773)**
Derecognition of financial assets on sale of subsidiary (note 10.2.2)	-	(2 220 540)	-	**(2 220 540)**
Other non-cash movements	-	(269 646)	10 452 072	**10 182 426**
Debt settled through delivery of equity instruments (note 21.3)	-	-	1 608 443	**1 608 443**
Debt and interest settled through delivery of GetBucks shares (notes 13.1 and 13.2)	-	(269 646)	8 760 418	**8 490 772**
Other non-cash movements	-	-	83 211	**83 211**
Net debt as at 31 December 2018	**16 362 679**	**-**	**(17 066 606)**	**(703 927)**

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

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

4.3 Fair value measurements

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value measurements (continued)

4.3.1 Fair value hierarchy

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

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Group has the ability to access;

Level 2 - inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and

Level 3 - inputs are unobservable inputs for the asset or liability and inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

As at 31 December 2018, the Group did not have financial assets carried at fair value.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

5.1 Key estimates

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

(a) Income taxes

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

(b) Impairment

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

a) Significant increase in credit risk - in assessing whether the credit risk of an asset has significantly increased the directors consider qualitative and quantitative reasonable and supportable forward - looking information.

b) Model and assumptions used - the Group used model and assumptions in estimating ECL. Directors have applied judgement in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

5.2 Key judgements

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

(a) Going concern

The Directors assess the ability of the Group to continue operating as a going concern at the end of each financial year. As at 31 December 2018, the Directors assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. The key initiatives being implemented to ensure the Group addresses the negative working capital position as at 31 December 2018 are discussed under note 2.1.2.

(b) Tax liabilities

As disclosed in note 32.1, the Group is defending various tax claims from the Zimbabwe Revenue Authority. On the basis of tax advice the Group has received from independent tax and legal counsel, the Directors have recognised a provision for one of the claims as disclosed in note 20.1, and considered the remainder to be contingent.

(c) Functional currency

The Company's subsidiaries incorporated and domiciled in Zimbabwe made significant judgements with regards to their functional currency. The subsidiaries traded for the first nine months of the year using the US$, bond notes and RTGS, which were all transacted in the same bank account and were at parity. For the last quarter of the year, the US$, bond notes and RTGS were transacted in different bank accounts. For the year ended 31 December 2018, the directors of the subsidiaries concluded that the functional currency of their companies was the US$. Refer to note 33 for further details of impact of the currency changes on the financials of the Group.

6 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision - maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

The Group does not rely on any one specific customer as none of its customers contribute a minimum of 10% of its revenue.

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

Revenue

The revenue from external parties reported to the Executive Committee is measured in a manner consistent with how revenue is measured in the statement of comprehensive income.

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

Description of segments and principal activities

Entity	Segment	2018	2017	Principal activities
African Sun Limited	Hospitality	√	√	Hotel and hospitality operations
Dawn Properties Limited	Real estate	√	√	Property holding, development and consulting
Getsure Life Assurance (Private) Limited	Financial services	**	√	Life assurance products and services
FML Logistics (Private) Limited	Other	√	√	Fuel transportation services
Brainworks Capital Management (Private) Limited	Other	√	√	Investment holding company in Zimbabwe
Brainworks Limited	Other	√	√	Ulimate holding Company

√ - denotes that the respective entity was part of the Group during the relevant year.
** - The entire equity interest in this sudsidiary was disposed of on 30 June 2018. Refer to note 10.2 for further disclosures. GetSure was part of the financial services segment which was considered to be insignificant to the Group.

6 SEGMENT INFORMATION (CONTINUED)

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

	Hospitality US$	Real estate US$	Financial services US$	Other US$	Intersegment transactions US$	Continuing operations US$
Year ended 31 December 2018						
Revenue:						
External customers						
-Sale of room nights, food and beverages	65 081 238	-	-	-	-	**65 081 238**
-Conferencing and other income	3 089 582	-	-	-	-	**3 089 582**
-Casino and gaming revenue	328 591	-	-	-	-	**328 591**
-Gross premiums	-	-	1 142 654	-	-	**1 142 654**
-Fuel transportation logistics	-	-	-	2 553 850	-	**2 553 850**
-Rental income	-	324 778	-	-	-	**324 778**
-Timeshare sales	-	22 831	-	-	-	**22 831**
-Property development sales	-	4 400 000	-	-	-	**4 400 000**
-Valuation and consultation services	-	579 273	-	-	-	**579 273**
-Fee and commission income	-	1 773 925	-	250 574	(250 574)	**1 773 925**
	68 499 411	**7 100 807**	**1 142 654**	**2 804 424**	**(250 574)**	**79 296 722**
Internal customers						
-Rental income	-	3 994 351	-	-	(3 994 351)	**-**
Total revenue	**68 499 411**	**11 095 158**	**1 142 654**	**2 804 424**	**(4 244 925)**	**79 296 722**
Timing of recognition of revenue						
- at a point in time	68 499 411	6 753 198	-	2 804 424	(4 244 925)	**73 812 108**
- over time	-	4 341 960	1 142 654	-	-	**5 484 614**
	68 499 411	**11 095 158**	**1 142 654**	**2 804 424**	**(4 244 925)**	**79 296 722**
Cost of sales	(19 141 018)	(4 180 075)	-	-	-	**(23 321 093)**
Life assurance expenses and claims (note 24)	-	-	(861 071)	-	-	**(861 071)**
Other direct costs	-	-	-	(1 417 507)	-	**(1 417 507)**
	(19 141 018)	**(4 180 075)**	**(861 071)**	**(1 417 507)**	**-**	**(25 599 671)**
Gross profit	**49 358 393**	**6 915 083**	**281 583**	**1 386 917**	**(4 244 925)**	**53 697 051**
Operating expenses						
Employee benefit expenses	(9 889 000)	(1 687 740)	(225 392)	(2 850 321)	(1)	**(14 652 454)**
Operating lease expenses	(7 666 844)	-	(19 446)	(91 080)	3 994 351	**(3 783 019)**
Other operating expenses	(17 180 629)	(2 066 068)	(370 599)	(4 967 928)	2 555 791	**(22 029 433)**
Depreciation and amortisation	(2 770 135)	(131 248)	(40 196)	(438 879)	(883 548)	**(4 264 006)**
Impairment charge	(268 521)	(319 048)	-	(181 102)	(2 401 111)	**(3 169 782)**
Total material expenses	**(37 775 129)**	**(4 204 104)**	**(655 633)**	**(8 529 310)**	**3 265 482**	**(47 898 694)**
Other key information						
Other income (net)	2 603 662	2 178 978	3 796 326	6 451 390	(3 001 811)	**12 028 545**
Operating profit/(loss)	**14 186 926**	**4 889 957**	**3 422 276**	**(691 003)**	**(3 981 254)**	**17 826 902**
Finance income	72 373	37 538	-	1 127 935	(1 123 343)	**114 503**
Finance costs	(660 028)	(295 216)	59 135	(3 687 308)	1 311 417	**(3 272 000)**
	(587 655)	**(257 678)**	**59 135**	**(2 559 373)**	**188 074**	**(3 157 497)**
Share of profit/(loss) of associates	-	-	302 654	209 635	-	**512 289**
Profit/(loss) before income tax	**13 599 271**	**4 632 279**	**3 784 065**	**(3 040 741)**	**(3 793 180)**	**15 181 694**
Total assets as at 31 December 2018	**48 378 718**	**100 574 106**	**-**	**71 062 278**	**(64 791 056)**	**155 224 046**
Total assets include:						
Non-current assets (other than financial instruments and deferred tax assets):						
- Property and equipment	24 131 483	63 387 105	-	2 545 696	(1 110 119)	**88 954 165**
- Goodwill	8 261 050	-	-	-	-	**8 261 050**
	32 392 533	**63 387 105**	**-**	**2 545 696**	**(1 110 119)**	**97 215 215**
Total liabilities as at 31 December 2018	**28 689 696**	**9 771 506**	**-**	**32 440 169**	**(17 422 008)**	**53 479 363**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

	Hospitality US$	Real estate US$	Financial services US$	Other US$	Intersegment transactions US$	Continuing operations US$
Year ended 31 December 2017						
Revenue:						
External customers						
-Sale of room nights, food and beverages	49 421 439	-	-	-	-	**49 421 439**
-Conferencing and other income	2 225 073	-	-	-	-	**2 225 073**
-Casino and gaming revenue	180 720	-	-	-	-	**180 720**
-Gross premiums	-	-	1 869 181	-	-	**1 869 181**
-Fuel transportation logistics	-	-	-	2 716 946	-	**2 716 946**
-Rental income	-	196 019	-	-	-	**196 019**
-Valuation and consultation services	-	570 305	-	-	-	**570 305**
-Fee and commission income	-	1 395 249	11 782	-	-	**1 407 031**
	51 827 232	**2 161 573**	**1 880 963**	**2 716 946**	**-**	**58 586 714**
Internal customers						
-Rental income	-	2 970 210	-	-	(2 970 210)	-
Total revenue	**51 827 232**	**5 131 783**	**1 880 963**	**2 716 946**	**(2 970 210)**	**58 586 714**
Timing of recognition of revenue						
- at a point in time	51 827 232	1 965 554	-	2 716 946	(2 970 210)	**53 539 522**
- over time	-	3 166 229	1 880 963	-	-	**5 047 192**
	51 827 232	**5 131 783**	**1 880 963**	**2 716 946**	**(2 970 210)**	**58 586 714**
Cost of sales and other direct costs	(15 444 453)	-	(2 343 465)	(1 343 203)	-	**(19 131 121)**
Gross profit	**36 382 779**	**5 131 783**	**(462 502)**	**1 373 743**	**(2 970 210)**	**39 455 593**
Operating expense						
Employee benefit expenses	(8 113 093)	(1 182 333)	(440 271)	(2 050 020)	-	**(11 785 717)**
Operating lease expenses	(6 085 779)	-	(38 472)	(77 285)	2 970 210	**(3 231 326)**
Other operating expenses	(14 221 396)	(1 535 061)	(470 454)	(3 919 699)	226 448	**(19 920 162)**
Depreciation & amortisation	(2 456 526)	(149 119)	(168 978)	(437 988)	(955 318)	**(4 167 929)**
Impairment charge	(145 656)	(52 856)	-	(952 794)	-	**(1 151 306)**
	(31 022 450)	**(2 919 369)**	**(1 118 175)**	**(7 437 786)**	**2 241 340**	**(40 256 440)**
Other key information						
Other income (net)	1 545 207	2 015 733	191 764	(4 164 521)	(437 369)	**(849 186)**
Operating profit/(loss)	6 905 536	4 228 147	(1 388 913)	(11 786 329)	391 526	**(1 650 033)**
Finance income	7 276	20 394	128 998	1 029 220	(1 013 887)	**172 001**
Finance costs	(1 053 399)	(347 674)	-	(4 194 516)	1 181 522	**(4 414 067)**
Net finance (costs)/income	**(1 046 123)**	**(327 280)**	**128 998**	**(3 165 296)**	**167 635**	**(4 242 066)**
Share of profit/(loss) of associates	**-**	**-**	**829 745**	**615 289**	**(1 557 766)**	**(112 732)**
Profit/(loss) before income tax	**5 859 413**	**3 900 867**	**(430 170)**	**(14 336 336)**	**(998 605)**	**(6 004 831)**
Total assets as at 31 December 2017	**39 226 663**	**97 987 352**	**5 926 758**	**78 476 611**	**(64 833 081)**	**156 784 303**
Total assets include:						
Non-current assets (other than financial instruments and deferred tax assets						
- Property and equipment	21 284 122	63,326,245	144 583	4 063 741	(379 870)	**88 438 821**
- Goodwill	8 261 050	-	-	-	-	**8 261 050**
	29 545 172	**63 326 245**	**144 583**	**4 063 741**	**(379 870)**	**96 699 871**
Total liabilities as at 31 December 2017	**27 717 942**	**10 400 553**	**2 778 061**	**46 138 311**	**(15 876 886)**	**71 157 981**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 PROPERTY AND EQUIPMENT

	Land and buildings US$	Leasehold improvements US$	Motor vehicles US$	Computer equipment US$	Office equipment US$	Furniture and fittings US$	Hotel equipment US$	Capital work in progress US$	Farming equipment US$	Total US$
GROUP- 31 December 2018										
Cost										
As at 1 January	**69 596 674**	**3 998 881**	**4 560 487**	**161 382**	**229 231**	**154 082**	**23 542 434**	**849 402**	**562 070**	**103 654 643**
Additions	-	185 924	849 476	44 182	51 956	1 040	4 167 750	954 079	-	**6 254 407**
Disposals	(1 298 981)	-	(182 914)	(15 714)	(1 250)	-	(241 004)	-	-	**(1 739 863)**
Transfers	-	325 447	-	-	-	-	19 612	(345 059)	-	**-**
Disposal of subsidiary (note 10.2)	-	-	(70 810)	(20 347)	(23 226)	(97 979)	-	-	-	**(212 362)**
As at 31 December 2018	**68 297 693**	**4 510 252**	**5 156 239**	**169 503**	**256 711**	**57 143**	**27 488 792**	**1 458 422**	**562 070**	**107 956 825**
Accumulated depreciation and impairment										
As at 1 January	**(2 756 481)**	**(1 332 626)**	**(1 180 836)**	**(74 944)**	**(95 393)**	**(91 245)**	**(9 541 912)**	**(91 884)**	**(50 501)**	**(15 215 822)**
Depreciation charge	(863 808)	(546 288)	(507 832)	(38 063)	(27 703)	(10 573)	(2 230 584)	-	(18 427)	**(4 241 909)**
Accumulated depreciation on disposals	80 307	-	100 101	14 983	-	-	175 092	-	-	**370 483**
Disposal of subsidiary (note 10.2)	-	-	20 619	10 211	10 452	43 306	-	-	-	**84 588**
As at 31 December 2018	**(3 539 982)**	**(1 878 914)**	**(1 567 948)**	**(87 813)**	**(112 644)**	**(57 143)**	**(11 597 404)**	**(91 884)**	**(68 928)**	**(19 002 660)**
Net carrying amount as at 31 December 2018	**64 757 711**	**2 631 338**	**3 588 291**	**81 690**	**144 067**	**-**	**15 891 388**	**1 366 538**	**493 142**	**88 954 165**

	Land and buildings US$	Leasehold improvements US$	Motor vehicles US$	Computer equipment US$	Office equipment US$	Furniture and fittings US$	Hotel equipment US$	Capital work in progress US$	Farming equipment US$	Total US$
GROUP- 31 December 2017										
Cost										
As at 1 January	**69 302 408**	**3 692 980**	**4 768 748**	**165 416**	**223 372**	**138 914**	**21 931 496**	**801 951**	**562 070**	**101 587 355**
Additions	328 330	261 580	137 523	37 419	11 261	16 263	2 191 489	292 213	-	**3 276 078**
Disposals	(34 064)	(22 731)	(345 784)	(41 453)	(5 402)	(1 095)	(758 261)	-	-	**(1 208 790)**
Transfers	-	67 052	-		-	-	177 710	(244 762)	-	**-**
As at 31 December 2017	**69 596 674**	**3 998 881**	**4 560 487**	**161 382**	**229 231**	**154 082**	**23 542 434**	**849 402**	**562 070**	**103 654 643**
Accumulated depreciation and impairment										
As at 1 January	**(1 954 097)**	**(823 731)**	**(827 825)**	**(73 955)**	**(75 117)**	**(59 855)**	**(8 220 289)**	**(50 484)**	**(32 075)**	**(12 117 428)**
Depreciation charge	(810 877)	(519 254)	(578 188)	(32 406)	(23 915)	(31 390)	(2 020 893)	-	(18 426)	**(4 035 349)**
Impairment and usage on service stock	-	-	-	(3 000)	-	-	-	(41 400)	-	**(44 400)**
Accumulated depreciation on disposals	8 493	10 359	225 177	34 417	3 639	-	699 270	-	-	**981 355**
As at 31 December 2017	**(2 756 481)**	**(1 332 626)**	**(1 180 836)**	**(74 944)**	**(95 393)**	**(91 245)**	**(9 541 912)**	**(91 884)**	**(50 501)**	**(15 215 822)**
Net carrying amount as at 31 December 2017	**66 840 193**	**2 666 255**	**3 379 651**	**86 438**	**133 838**	**62 837**	**14 000 522**	**757 518**	**511 569**	**88 438 821**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 PROPERTY AND EQUIPMENT (CONTINUED)

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

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

There were no contractual commitments for the acquisitions of property and equipment as at 31 December 2018 (2017:US$nil).

There were no borrowing costs capitalised during the year (2017: US$nil).

Properties held as security against borrowings have been disclosed on note 18.

8 INVESTMENT PROPERTY

	2018 US$	2017 US$
At beginning of the year	**22 254 000**	**24 176 235**
Acquisitions	887 232	-
Improvements to investment property capitalised	45 942	62 267
Disposal of subsidiary (note 10.2.2)	(380 000)	-
Other disposals	(205 000)	(1 600 000)
Fair value (losses)/gains	949 580	(384 502)
At end of year	**23 551 754**	**22 254 000**

Investment property worth US$5.5 million was pledged as security for the Group's borrowings as at the reporting date (31 December 2017: US$5.5 million). Refer to note 18 to these financial statements for further detail of the security arrangements.

Valuation processes

Investment property worth US$23.6 million as at 31 December 2018 (31 December 2017: US$22.3 million) was valued by Dawn Property Consultancy (Private) Limited in accordance with the relevant professional guidelines and statements issued under the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual (the "Red Book") 6th Edition, International Valuations Standards Committee ("IVSC") and the Real Estate Institute of Zimbabwe ("REIZ") Standards. The valuation basis is a market comparison method for land and cost approach for buildings, both valuation basis conform to international valuation standards.

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

Valuation techniques underlying management's estimation of fair value

Hotel buildings and timeshare properties with fair values of US$9 million and US$1.2 million respectively as at 31 December 2018 were valued based on the depreciated replacement cost basis as there was no active market for such assets in Zimbabwe during the year and in the previous year. These properties are included in investment property valued at US$23.6 million as at 31 December 2018 (31 December 2017: US$22.3 million). In addition, the two hotel buildings were vacant as at the reporting date and not generating any income. With respect to the timeshare properties, the revenue being generated by those assets was also very low owing to the challenging economic environment and the much needed renovations on these properties before they could be actively marketed. As a result, the depreciated replacement cost was considered as the most appropriate valuation model in the circumstances.

8 INVESTMENT PROPERTY (CONTINUED)

Valuation techniques underlying management's estimation of fair value (continued)
As there is no active market for the hotel properties in Zimbabwe, current prices were drawn from recent transactions of land in general. The prices were adjusted for contractual, location and inherent differences. The following rates have been used:

	31 December 2018 US$	31 December 2017 US$
	US$ rate/sqm	US$ rate/sqm
Construction cost figures:		
Grade "A" offices	1 000 - 1 150	1 200 - 1 800
Grade "B" offices	950 - 1 150	1 100 - 1 500
Industrial offices	850 - 1 000	800 - 950
Industrial factory	700 - 750	750 - 850
	-	
Land comparable:		
Industrial areas	25 - 30	15 - 30
High density areas	30 - 75	40 - 55
Medium density areas	30 - 60	25 - 35
Low density areas	25 - 45	22 - 25
Commercials - avenues	250 - 400	300 - 400
Central business district	600 - 750	700

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

The summary of the results are as follows:

	31 December 2018 US$	31 December 2017 US$
	US$ rate/sqm	US$ rate/sqm
Hotel properties value indicators:		
Gross replacement cost (buildings)	13 298 000	12 968 000
Depreciated replacement cost (buildings)	5 378 000	7 013 000
Land value	4 250 000	2 200 000
Land value plus depreciated replacement cost of buildings	9 628 000	9 213 000
Market value	9 020 790	9 274 848

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8 INVESTMENT PROPERTY (CONTINUED)

Valuation techniques underlying management's estimation of fair value (continued)
The method used for valuing land is market comparison method. The method entailed comparing like with like thus residential must be compared with residential and industrial with industrial etc. The most significant input in this valuation method is the selling price per square metre.

Valuation techniques underlying management's estimation of fair value

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

(b) Age of property: Based on the use to date as well as the date from commissioning of the property and the current state of structures and utilities specific to its use as investment property, as well as the financial obsolescence of the structure.

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

The Group's investment property is measured at fair value. The Group holds four classes of investment property being hotel properties, land, office and timeshares properties, all being situated in Zimbabwe.

	Hotel properties US$	Land US$	Timeshares US$	Office property US$	Total US$
Fair value hierarchy	3	3	3	3	
Year ended 31 December 2017					
As at 1 January 2017	**9 874 848**	**12 826 387**	**1 100 000**	**375 000**	**24 176 235**
Improvements capitalised	-	62 267	-	-	**62 267**
Disposals	-	(1 600 000)	-	-	**(1 600 000)**
Fair value (losses)/gains	(600 000)	111 498	99 000	5 000	**(384 502)**
As at 31 December 2017	**9 274 848**	**11 400 152**	**1 199 000**	**380 000**	**22 254 000**
Year ended 31 December 2018					
As at 1 January 2018	**9 274 848**	**11 400 152**	**1 199 000**	**380,000**	**22 254 000**
Acquisitions	-	887 232	-	-	**887 232**
Improvements capitalised	45 942	-	-	-	**45 942**
Disposals	-	(205 000)	-		**(205 000)**
Transfer on disposal of subsidiary (note 10.2.2)	-	-	-	(380 000)	**(380 000)**
Fair value (losses)/gains	(300 000)	1 249 580	-	-	**949 580**
As at 31 December 2018	**9 020 790**	**13 331 964**	**1 199 000**	**-**	**23 551 754**

8 INVESTMENT PROPERTY (CONTINUED)

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

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

Sensitivity analysis

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

Observability

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

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

	Cost approach US$	Sales comparison US$
Sensitivity on managements estimates:		
Change in depreciated replacement cost/square metre (cost/sqm):		
Year ended 31 December 2018		
5% decrease in the replacement cost/sqm	268 900	-
5% decrease in the replacement cost/sqm	(268 900)	-
5% increase in the selling price/sqm	-	212 500
5% decrease in the selling price/sqm	-	(212 500)
Year ended 31 December 2017		
5% decrease in the replacement cost/sqm	350 650	-
5% decrease in the replacement cost/sqm	(350 650)	-
5% increase in the selling price/sqm	-	110 000
5% decrease in the selling price/sqm	-	(110 000)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9 INTANGIBLE ASSETS

	Software US$	Goodwill US$	Total US$
YEAR ENDED 31 DECEMBER 2018			
Cost			
Balance at beginning of the year	**296 534**	**8 261 050**	**8 557 584**
Additions	-	-	-
Derecognition on sale of subsidiary	(296 534)	-	(296 534)
Balance at the end of year	**-**	**8 261 050**	**8 261 050**
Amortisation and impairment			
Balance at beginning of year	**143 628**	**-**	**143 628**
Armotisation charge for the year	22 097	-	22 097
Derecognition on sale of subsidiary	(165 725)	-	(165 725)
Balance at end of year	-	-	-
Carrying amount at the end of the year	**-**	**8 261 050**	**8 261 050**

	Software US$	Goodwill US$	Total US$
YEAR ENDED 31 DECEMBER 2017			
Cost			
Balance at beginning of the year	296 534	8 261 050	8 557 584
Additions	-	-	-
Balance at the end of year	**296 534**	**8 261 050**	**8 557 584**
Amortisation and impairment			
Balance at beginning of year	11 048	-	11 048
Armotisation charge for the year	132 580	-	132 580
Balance at end of year	**143 628**	**-**	**143 628**
Carrying amount at the end of the year	**152 906**	**8 261 050**	**8 413 956**

There were no contractual commitments for the acquisitions of any intangible assets as at 31 December 2018 (2017:US$nil).

Goodwill
Goodwill is monitored by management at the level of the operating segments identified in note 6.
A segment summary of the goodwill allocation is presented below:

	Hospitality US$	Total US$
31 December 2018		
African Sun Limited	8 261 050	**8 261 050**
31 December 2017		
African Sun Limited	8 261 050	**8 261 050**

9 INTANGIBLE ASSETS (CONTINUED)

Goodwill (continued)

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

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

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

	HOSPITALITY	
	2018	2017
Sale volume (% annual growth rate)	20.0%	20.0%
Budgeted gross margin (%)	72.0%	70.0%
Average hotel occupancy (%)	61.0%	50.0%
Average daily hotel rate (US$)	105	95
Other operating costs (US$)	37 215 028	33 779 818
Annual capital expenditure	15 802 190	5 084 098
Long term growth rate	0.5%	0.5%
Pre-tax discount rate	13.8%	14.8%

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9 INTANGIBLE ASSETS (CONTINUED)

Goodwill (continued)

Impact of possible changes in key assumptions

The recoverable amount of the hosiptality CGU is estimated to exceed the carrying amount of the CGU at 31 December 2018 by US$5 357 000 (2017: US$6 583 480).

If the budgeted sales volume used in the value-in-use calculation for the hospitality CGU had been 5% lower than management's estimates at 31 December 2018 (19% instead of 20%), the recoverable amount would have exceeded the carrying amount of the CGU at 31 December 2018 by US$4 941 000 (2017: US$5 530 000).

If the long-term growth rate applied to the cash flow projections of this CGU had been 2.1% (2017: 0.56%), the recoverable amount would have exceed the carrying amount of the CGU at 31 December 2018 by US$2 752 000 (2017: US$5 530 000).

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 5% higher than management's estimates (15.5% instead of 14.8%), the recoverable amount would have exceed the carrying amount of the CGU at 31 December 2018 by US$2 300 000 (2017; US$5 443 265).

10 INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2018 US$	2017 US$
Direct shareholding in: Brainworks Capital Management (Private) Limited	55 540 986	55 540 986

Details of the Company's direct subsidiary investment for the year ended 31 December 2018, are as follows:

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

There were no changes in Brainworks Limited's shareholding in Brainworks Capital Management (Private) Limited as at 31 December 2018 when compared to the prior year.

Subsidiaries of Brainworks Capital Management (Private) Limited

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

- Dawn Properties Limited, 66.81% shareholding (31 December 2017: 66.81%) and is listed on the Zimbabwe Stock Exchange;
- African Sun Limited, 57.67% shareholding (31 December 2017: 57.67%) and is listed on the Zimbabwe Stock Exchange;
- Brainworks Petroleum (Private) Limited, 100% shareholding. Brainworks Petroleum owns FML Logistics (Private) Limited ("FML Logistics). The shareholding in FML Logistics is 100% (31 December 2017: 100%);
- Brainworks Hotels and Real Estate (Private) Limited; 100% shareholding (31 December 2017: 100%);
- Lengrah Investments (Private) Limited; 100% shareholding (31 December 2017: 100%); and
- Getsure Life Assurance (Private) Limited, a previously a wholly owned subsidiary, was sold during the year. Refer to note 10.2 for further disclosures. Getsure Life Assurance (Private) Limited, 100% shareholding (31 December 2017: 100%).

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

10 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	Year ended 31 December 2018		Year ended 31 December 2017	
	African Sun Limited US$	Dawn Properties Limited US$	African Sun Limited US$	Dawn Properties Limited US$
ASSETS				
Non current net assets				
Property and equipment	24 131 483	925 303	21 284 122	864 443
Investment property	-	90 802 754	-	88 175 000
Other non current assets	6 953 827	2 372 708	1 070 877	-
	31 085 310	**94 100 765**	**22 354 999**	**89 039 443**
Current assets				
Inventories	3 043 287	2 444 179	2 087 639	5 116 873
Trade and other receivables	372 794	2 347 127	6 421 474	3 627 646
Cash and cash equivalents	13 877 327	1 682 035	8 362 551	203 390
	17 293 408	**6 473 341**	**16 871 664**	**8 947 909**
Total assets	**48 378 718**	**100 574 106**	**39 226 663**	**97 987 352**
EQUITY AND LIABILITIES				
Equity				
Share capital and share premium	33 741 401	19 496 571	33 741 401	19 496 571
Other reserves	(3 554 078)	7 353 815	(3 468 047)	7 353 815
(Accumulated losses)/retained profits	(10 498 300)	63 952 214	(18 764 633)	60 736 414
	19 689 023	**90 802 600**	**11 508 721**	**87 586 800**
Non-current liabilities				
Borrowings	2 594 561	1 579 520	4 187 512	3 424 488
Deferred tax	4 649 134	4 647 244	4 684 007	4 324 236
	7 243 695	**6 226 764**	**8 871 519**	**7 748 724**
Current liabilities				
Borrowings	1 637 719	1 478 791	2 022 197	1 074 930
Trade and other payables	19 808 281	2 065 951	16 824 226	1 576 898
	21 446 000	**3 544 742**	**18 846 423**	**2 651 828**
Total equity and liabilities	**48 378 718**	**100 574 106**	**39 226 663**	**97 987 352**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

10 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	Year ended 31 December 2018		Year ended 31 December 2017	
	African Sun Limited US$	Dawn Properties Limited US$	African Sun Limited US$	Dawn Properties Limited US$
Summarised statement of comprehensive income				
Revenue	68 499 411	11 095 159	51 827 232	5 131 783
Cost of sales	(19 141 018)	(4 180 075)	(15 444 453)	-
Gross profit	**49 358 393**	**6 915 084**	**36 382 779**	**5 131 783**
Fair value gains/(losses) on investment property	-	1 899 580	-	1 949 695
Other income	2 473 674	279 398	1 545 207	66 038
Operating expenses	(37 775 129)	(4 204 104)	(31 022 450)	(2 919 369)
Net finance charges	(587 655)	(257 679)	(1 046 123)	(327 279)
Profit before income tax	**13 469 283**	**4 632 279**	**5 859 413**	**3 900 868**
Income tax expense	(3 463 411)	(1 107 805)	(1 042 888)	(851 731)
Profit for the year	**10 005 872**	**3 524 474**	**4 816 525**	**3 049 137**
Other comprehensive (loss)/income	(86 031)	-	32 399	-
Total comprehensive income	**9 919 841**	**3 524 474**	**4 848 924**	**3 049 137**
Summarised statement of cashflows				
Cash generated from/(used in) operating activities	14 382 884	4 105 572	7 469 371	(415 260)
Cash used in investing activities	(5 755 195)	(910 961)	(1 946 984)	(18 638)
Cash (used in)/generated from financing activities	(3 078 771)	(1 715 966)	(2 059 832)	240 669
Net increase/(decrease) in cash and cash equivalents for the year	**5 548 918**	**1 478 645**	**3 462 555**	**(193 229)**
Cash and cash equivalents at the beginning of the year	8 362 552	203 390	4 885 160	396 619
Exchange gains on cash and cash equivalents	(34 143)	-	14 837	-
Cash and cash equivalents at the end of the year	**13 877 327**	**1 682 035**	**8 362 552**	**203 390**

10.2 Dispoal of a subsidiary

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

10 INVESTMENT IN SUBSIDIARIES (CONTINUED)

10.2 Dispoal of a subsidiary (continued)

10.2.1 Loss on sale of subsidiary

	2018 US$
Consideration	6 203 190
Cash	1 883 847
Amount payable to GetSure assumed by the Buyer*	4 319 343
Carrying amount of net assets sold (note 10.2.2)	(7 150 531)
Loss on disposal	**(947 341)**

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

10.2.2 Net assets sold on disposal of subsidiary

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

	2018 US$
Total assets	
Investment property	380 000
Equipment	127 774
Intangible assets	130 809
Financial assets at fair value through profit or loss (note 13)	2 220 540
Trade and other receivables	6 964 833
Cash and cash equivalents	482 511
	10 306 467
Total liabilities	
Trade creditors	649 285
Insurance liabilities	2 505 336
Deferred tax liability	1 315
	3 155 936
Carrying amount of net assets sold (note 10.2.1)	**7 150 531**

11 INVESTMENTS IN ASSOCIATES

11.1 Disposal of investment in an associate

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 INVESTMENTS IN ASSOCIATES (CONTINUED)

11.1 Disposal of investment in an associate (continued)

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

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

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

	2018 US$	2017 US$
Balance as at the beginning of the year	**4 370 066**	**3 276 024**
Additional investment in Coporeti Support Services (Private) Limited t/a GetCash	-	1 489 952
Share of profit/(loss) of associate	512 289	(112 732)
Dividends paid	(149 836)	(283 178)
Equity accounted carrying amount of total investment before the Transaction	**4 732 519**	**4 370 066**
Disposal in terms of the Transaction (note 11.2)	(2 272 507)	-
Equity accounted carrying amount of remaining investment	**2 460 012**	**4 370 066**
Fair value gain on remeasurement of carrying amount of equity accounted investment to financial asset at fair value through profit or loss*	4 082 299	-
Transfer to financial assets at fair value through profit or loss (note 13)	(6 542 311)	-
Balance as at the end of the year	**-**	**4 370 066**

* - included in "other gains/(losses)" in the statement of comprehensive income.

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

As at 31 December 2018, the Group only held a 49% equity investment in Coporeti Support Services (Private) Limited t/a ("GetCash") whose carrying amount was fully impaired in 2017.

11.2 Profit from disposal of investment in associate

	2018 US$
Included in "Other income" for the year ended 31 December 2018 is profit of US$3 005 626 realised from the disposal of the equity investment in GetBucks as disclosed above. The profit has been determined as follows:	
Cash consideration received	5 453 518
Transaction costs	(175 385)
Net proceeds	**5 278 133**
Equity carrying amount of investment portion sold (note 11.1)	(2 272 507)
Profit from disposal of associate (included in "Other income")	**3 005 626**

11 INVESTMENTS IN ASSOCIATES (CONTINUED)

11.3 Commitments and contingent liabilities in respect of associate

	2018 US$	2017 US$
Share of contingent liabilities incurred jointly of the associate relating to liabilities of the associate for which the Group is severally liable.	-	890 779

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

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

As at 31 December 2018, the outstanding amount due by GetCash to the financial institution was US$671 063 (31 December 2017: US$890 779). During the year ended 31 December 2018, the Group paid US$181 936 (2017: US$nil) to the financial institution on the basis of the guarantee as GetCash had defaulted and faced signifcant financial difficulties. The Group anticipates that it would continue settling the monthly loan instalments as they fall due as there are no reasonable prospects of GetCash's financial condition improving. As a result, the Group recognised a provision for a financial guarantee liability for the full oustanding loan of US$671 063, per note 20.1.

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

	2018 US$
Monthly loan instalment obligations paid	181 936
Outstanding loan principal amounts recognised as a Group loan obligations	671 063
	852 999

12 INTEREST IN A JOINT OPERATION

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

Summarised audited statement of comprehensive income as at 31 December 2018

	2018 US$	2017 US$
Revenue	8 133 889	7 450 882
Cost of sales	(1 904 970)	(1 656 764)
Gross profit	**6 228 919**	**5 794 118**
Operating expenses	(3 439 010)	(3 206 006)
Other income	323 407	393 957
Profit before income tax	**3 113 316**	**2 982 069**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

12 INTEREST IN A JOINT OPERATION (CONTINUED)

Summarised audited statement of financial position as at 31 December 2018

	2018 US$	2017 US$
ASSETS		
Non-current assets		
Property and equipment	**2 252 555**	**2 390 394**
Current assets		
Inventories	421 793	336 793
Trade and other receivables	405 711	502 231
Amounts due from related parties	1 771 583	2 439 148
Cash at banks and on hand	1 319 444	568 157
	3 918 531	**3 846 329**
Total assets	**6 171 086**	**6 236 723**
LIABILITIES		
Current liabilities		
Trade and other payables	(1 486 205)	(825 179)
Provision for other liabilities	(187 519)	(882 026)
	(1 673 724)	**(1 707 205)**
Net assets	**4 497 362**	**4 529 518**

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 US$	2017 US$
Balance at beginning of year	**3 139 091**	**4 892 962**
Purchases	-	435 680
Transfer from investment in associates (GetBucks ordinary shares) (note 11.1)	6 542 311	-
Fair value (losses)/gains:	979 561	(2 189 551)
On treasury bills	-	88 457
On MyBucks ordinary shares	979 561	(2 278 008)
Disposals	(8 015 004)	-
MyBucks ordinary shares	(4 645 497)	-
Sale of GetBucks shares after reclassification from investment in associate (13.2)	(3 369 507)	-
Maturity of treasury bills	(155 773)	-
GetBucks ordinary shares given up to settle interest on a loan post reclassification from investment in associate (note 13.1)	(269 646)	-
Derecognition of financial assets at fair value through profit or loss on disposal of subsidiary (note 10.2.2)	(2 220 540)	-
Balance at end of year	**-**	**3 139 091**
Financial assets at fair value through profit or loss comprise of the following:		
MyBucks listed ordinary shares	-	2 459 174
Treasury bills	-	679 917
	-	**3 139 091**

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

13.1 Settlement of interest through delivery of GetBucks ordinary shares

As noted in note 11.1, the Group had a commitment to settle interest accruing on a US$5 453 518 ("the Loan). The total interest that accrued on the Loan amounted to US$242 681. The interest was calculated up to 7 June 2018 which was the settlement date of the interest. The Group transferred 7 287 734 GetBucks shares at the pre-agreed price of US$0.0333 per shares. The fair value price per share based on the Zimbabwe Stock Exchange price on settlement date was US$0.037 per share. This resulted in the recognition of a loss of US$26 965. The GetBucks ordinary shares given up to settle interest that accrued on the loan were derecognized at their aggregate fair value of US$269 646.

13.2 Sale of GetBucks shares after reclassification from investment in associate

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

14 DEFERRED TAX ASSETS

	Year ended 31 December 2018		Year ended 31 December 2017	
	Closing balance US$	Recognised in profit/(loss) US$	Closing balance US$	Recognised in profit/(loss) US$
The movement on the deferred tax account is shown below:				
Fair value on listed investments	-	-	-	-
Fair losses on unlisted investments	-	-	-	(267 632)
Allowance for credit losses	17 953	17 953	-	(2 625)
Leasehold improvements	-	-	-	-
Provisions	859 192	371 578	487 614	476 303
Property and equipment	923 954	377 603	546 351	650 193
Prepayments	-	-	-	-
Assessable tax losses	-	(309 072)	309 072	(327 186)
Deferred tax asset	**1 801 099**	**458 062**	**1 343 037**	**529 053**

15 INVENTORIES

	2018 US$	2017 US$
Food and beverage	1 541 451	1 000 039
Shop merchandise	46 154	37 302
Consumable stocks	832 570	641 570
Maintenance stocks	623 112	412 431
Property under construction (note 15.1)	-	4 936 186
Residential properties held for sale (note 15.2)	2 269 438	-
Construction inventories	31 033	101 994
Stationery and other office consumables	18 707	22 180
	5 362 465	**7 151 702**

The cost of inventories recognised as expenses and included in cost of sales amounted to US$7 223 362 (2017: US$5 600 596). There were no items of inventory impaired during the year (2017: US$nil).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

15 INVENTORIES

15.1 Property under construction

	2018 US$	2017 US$
Balance at the beginning of the year	4 936 186	3 186 989
Additional construction costs incurred	1 374 154	1 549 854
Borrowing costs capitalised	139 173	199 343
Construction expenses incurred	6 449 513	4 936 186
Total costs transferred to property inventory on completion of development* (note 15.2)	(6 449 513)	-
	-	**4 936 186**

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

	2018 US$	2017 US$
Land value	-	400 000
Borrowing cost capitalised	-	273 230
Construction expenses incurred to date	-	4 262 956
	-	**4 936 186**

15.2 Property inventory

	2018 US$	2017 US$
Balance at the beginning of the year	**-**	**-**
Transfer from property under construction (note 15.1)	6 449 513	**-**
Costs in respect of properties sold (cost of sales)	(4 180 075	**-**
Balance at the end of the year	**2 269 438**	**-**

As at the end of the year, property inventory comprised 22 residential units which are expected to be sold in 2019.

16 TRADE AND OTHER NON CURRENT ASSETS

	2018 US$	2017 US$
Trade receivables	6 338 396	4 576 056
Allowance for credit losses (note 16.2)	(1 637 750)	(762 029)
	4 700 646	**3 814 027**
Other receivables at armotised cost (classified as "other recievables" in 2017)		
Other receivables	1 448 986	2 298 499
Prepayments	4 662 090	4 159 085
Staff receivables	661 480	928 145
Receivables from related parties	369 349	330 622
Other non-current assets	227 995	159 199
	7 369 900	**7 875 550**
Allowance for credit losses (note 16.2)	(1 139 712)	(629 106)
	6 230 188	**7 246 444**
	10 930 834	**11 060 471**

16.1 Analysis of trade and other non current assets

	2018 US$	2017 US$
Current trade and other receivables	8 017 065	10 557 589
Other non-current assets	2 913 769	502 882
	10 930 834	**11 060 471**

Included in prepayments are payments amounting to US$2 312 980 (2017: US$2 132 980) made with respect to the acquisition of two pieces of land from City of Harare, measuring approximately 2.2 hectares. The process to transfer legal title of the land to the Group, which began in 2016, had not yet been completed as at the reporting date. The Group adopted the view that given the fact that the process had taken a relatively long time to complete, it was appropriate to classify this receivable as non-current.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

16 TRADE AND OTHER NON CURRENT ASSETS (CONTINUED)

16.1 Analysis of trade and other non current assets (continued)

All non-current receivables relate to staff receivables in the form of car and housing loans which are all due within five years from the end of the reporting period. These loans bear interest at an average interest rate of 7% per annum (2017: 7%) and are secured by the houses and the vehicles that would have been financed. These loans are advanced to staff in terms of the Group's staff incentive and retention schemes.

The fair value value of the staff recievables (both current and non-current) is based on cashfows discounted using the Group's average cost of borrowing of 10%.

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

	2018 US$	2017 US$
United States of America dollar	10 930 834	10 882 614
South African rand	-	177 857
	10 930 834	**11 060 471**

16.2 Ageing of trade receivables

	2018 US$	2017 US$
As at 31 December 2017, trade receivables of US$2 192 019 (2017: US$1 750 863) were fully performing. The ageing of these trade receivables is as follows:		
Up to 30 days	**2 192 019**	**1 750 863**
Lifetime expected credit losses	224 639	-
As at 31 December 2018 trade receivables of US$2 026 478 (2017: US$1 971 463) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:		
Up to 30 days	-	-
30 to 60 days	1 648 462	706 866
Over 60 days	378 016	1 264 597
	2 026 478	**1 971 463**
Lifetime expected credit losses	106 832	-
As at 31 December 2018, trade receivables of US$2 119 897 (2017 US$853 730) were past due by over 90 days. The impaired receivables provided for mainly relate to customers in difficult economic situations. The ageing analysis of these trade receivables is as follows:		
Over 90 days	**2 119 899**	**853 730**
Lifetime expected credit losses	1 306 279	762 029
Total trade receivables as at the reporting date	**6 338 396**	**4 576 056**
Movements on the Group's allowance for expected credit losses of trade receivables and other financial assets at armotised cost is as follows:		
As at 1 January	**1 391 135**	**542 830**
Restatement as a result of adoption of IFRS 9	1 071 066	-
Restated balance as at 1 January 2018	**2 462 201**	**542 830**
Charge to the statement of comprehensive income	372 604	959 085
Recognition of additional impairment allowance for the year	413 393	1 035 816
Reversal of impairment in amount previously provided for but now recovered	(40 789)	(76 731)
Receivables written off during the period as uncollectible	(57 343)	(110 780)
As at 31 December	**2 777 462**	**1 391 135**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

16.2 Ageing of trade receivables (continued)

Movements on the Group's allowance for expected credit losses of trade receivables and other financial assets at armotised cost (continued)

	2018 US$	2017 US$
Total allowances for credit losses are attributable to the following:		
Trade receivables	1 637 750	762 029
Other financial assets at amortised cost	1 139 712	629 106
	2 777 462	**1 391 135**

The creation and release of allowance for credit losses have been included in "operating expenses" in the statement of comprehensive income. Amounts charged to the allowance account are written off when there is no expectation of recovery.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

As at the reporting date, no debtors had been pledged in respect of the Group's liabilities. In 2017, debtors amounting to US$400 731 were pledged as security to a short-term loan of US$339 709.

17 CASH AND CASH EQUIVALENTS

	2018 US$	2017 US$
Current assets		
Cash at bank and on hand	16 362 679	10 449 957
Short term money market investments	-	94 362
	16 362 679	**10 544 319**
The net exposure to foreign currency balances was:		
United States of America dollars, Notro FCAs	4 915 160	10 247 028
United States of America dollars, RTGS FCAs	9 657 354	-
South African rand	1 783 262	267 000
Botswana pula	-	2 948
Euro	6 848	24 330
Australian dollars	55	61
British pound	-	2 952
	16 362 679	**10 544 319**

Included in cash and cash equivalents are balances with banks. These balances are used for transacting on a daily basis. The Reserve Bank of Zimbabwe issued a directive in October 2018 ring-fencing nostro foreign accounts by separating the foreign currency accounts ("FCA") into two categories namely Nostro FCAs and RTGS FCAs. The relationship between the two categories shall continue to be at parity. The Group complied with the directive and separated its bank balances in Zimbabwe and this has resulted in the Group having 100% access to its foreign currency and there is no longer time limitations in which nostro foreign currency must be utilised.

Prior to the issuance of the directive, both Nostro FCAs and RTGS FCAs were transacted in the same bank account.

18 BORROWINGS

	2018 US$	2017 US$
Facilities		
Bank loans	9 326 901	15 648 485
Private financier loans	4 598 935	11 209 322
Amounts due to related parties	3 140 770	11 466 221
Total	**17 066 606**	**38 324 028**
Current	12 892 525	28 388 655
Non-current	4 174 081	9 935 373
	17 066 606	**38 324 028**

18.1 Analysis of facilities by funder

	Note	2018 US$	2017 US$
Bank loans			
CBZ Bank Limited	18.1.1	136 243	1 473 575
FBC Bank Limited	18.1.2	4 232 280	5 870 000
MBCA Bank Limited		-	339 709
Ecobank Zimbabwe Limited	18.1.3	2 036 310	3 642 864
NMB Bank Limited	18.1.4	2 922 068	4 322 337
		9 326 901	**15 648 485**
Private financier loans			
Comarton Group of Pension Funds	18.1.5	451 267	2 108 645
Ever Prosperous Worldwide Limited	18.1.6	4 147 668	7 615 011
Other lenders		-	1 485 666
		4 598 935	**11 209 322**
Related parties			
Getbucks Microfinance Bank Limited		-	2 783 237
MyBucks S.A		-	453 227
Other related parties	18.1.7	3 140 770	8 229 757
		3 140 770	**11 466 221**
		17 066 606	**38 324 028**

18.1.1 CBZ Bank Limited

Dawn Properties Limited has an outstanding mortgage loan with CBZ Bank Limited which arose from a five year mortgage loan. The loan which bears interest at 9% (2017 - 16%) per annum, is secured by a first mortgage bond over a certain piece of land located in Harare. The mortgage loan is repayable up to 31 August 2021.

18.1.2 FBC Bank Limited

African Sun Zimbabwe (Private) Limited, a subsidiary of African Sun Limited, has three loan facilities with FBC Bank Limited which all attract interest at 7.5% per annum (2017: 7.5%). The loan is secured through unlimited guarantees by African Sun Limited and Brainworks Capital Management (Private) Limited and freehold property. The aggregate outstanding balance on these facilities as at 31 December 2018 was US$4.2 million (31 December 2017: US$5.9 million). The loans, with monthly and quartely repayments, mature between 31 July 2020 and 31 August 2022.

18.1.3 Ecobank Zimbabwe Limited

The Ecobank Zimbabwe Limited loan which is held by Brainworks Capital Management (Private) Limited, attracts interest at 8% (2017: 8%) per annum and is secured by 360 900 000 Dawn Property Limited shares and 146 299 461 African Sun Limited shares shares.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

18 BORROWINGS (CONTINUED)

18.1.4 NMB Bank Limited

The NMB Bank Limited loan, which is held by Dawn Properties Limited arose from a five year facility with NMB Bank Limited. The outstanding loan bears interest at 9% (2017: 9%) per annum and is secured by first mortgage bonds over the Beitbridge Hotel, Great Zimbabwe Hotel, stand number 3204 New Marlborough Township, in addition to a guarantee by Brainworks Capital Management (Private) Limited. The loan matures on 31 October 2020.

18.1.5 Cormarton Managed Pension Funds Consortium

Comarton Managed Pension Funds Consortium availed various loan facilities to FML Logistics (Private) Limited ("FML"), that attract interest at rates between 12% - 15% per annum and interest is payable monthly. The loans are secured by 28 301 9000 shares held by Brainworks Capital Management (Private) Limited in Dawn Properties Limited. The final loan matures on 29 November 2019.

On 25 October 2017, an agreement was reached with the lenders in terms of which Brainworks Capital Management (Private) Limited ("BCM") in BCM's capacity as the sole shareholder of FML took over US$1.6million of the loans that were going to mature before the end of the year. BCM offered and the lenders agreed, to settle the loans through 1 787 383 shares BCM holds in Brainworks Limited. As at 31 December 2017, the process to transfer the shares to the lenders was still underway, which process was completed during the year, resulting in the US$1.6million being settled.

18.1.6 Everprosperous Worldwide Limited

The loans bear interest at 18% per annum (2017: 15%) and is secured by 77 750 000 Brainworks Limited shares held by Brainworks Capital Management (Private) Limited ("Brainworks"), and power of attorney to register surety mortgage bonds over certain fixed properties in the Group. The facility matured in October 2018 and was rolled over on new terms.

18.1.7 Due to other related parties

Due to Mr. Christopher Rokos

The loan due to Mr. Rokos is held by Brainworks Limited. The loan, which is unsecured, bears interest at 15% per annum (2017: 15%) and is repayable on demand. The balance on this loan was US$2.7 million as at the reporting date (2017: US$2.5 million).

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

Due to Mr. Brett I. Childs

The outstanding amount arose from US$0.11 million which was advanced to Brainworks Limited in 2017. The loan which is unsecured, bears interest at 15% per annum (2017: 15%) and is repayable on demand. Mr. Childs is the Chief Executive Officer of the Company. The balance on this loan as at 31 December 2018 was US$0.12 million (2017: US$0.11 million).

Due to Mr. Simon F. Village

Mr. Village is the Chairman of the Board of Directors of the Company. The outstanding amount arose from US$0.11 million which was advanced to Brainworks Limited in 2017. The loan, which bears interest at 15% per annum (2017: 15%), is repayable on demand. The balance on this loan as at 31 December 2018 was US$0.12 million (2017: US$0.11 million).

Due from Argentum Limited

During 2018, Argentum Limited advanced a US$0.14 million to Brainworks Limited. The loan, which bears interest at 15% per annum (2017: 15%) is unsecured and repayable on demand. The balance of this loan as at 31 December 2018 was US$0.15 million. Argentum Limited is a company associated with Mr. Village, who is the chairman of the Brainworks Limited Board.

Due from Red Rock Limited and Blue Air Limited

During the year, Red Rock Capital Limited and Blue Air Capital Limited ("the Lender") advanced loans agregating to US$0.1 million. The loans are unsecured, bear interest rate based on the 12 months US LIBOR+ 5% and are repayable in 2019. The balance of these loans a were US$0.07 million at the reporting date (2017: US$ nil).

The Lenders are associated with Mr. Christopher Rokos who has an indirect beneficial shareholding in the Company.

19 DEFERRED TAX LIABILITIES

	31 December 2018 US$	Recognised in profit/loss US$	31 December 2017 US$	Recognised in profit/loss US$
The movement on the deferred tax liability account is shown below:				
Accelerated wear and tear	4 513 626	149,687	4 363 939	(3 137 221)
Life business (schedule 8 Income Tax Act (Chapter 23:06))	-	-	-	(111)
Fair value gains or losses	4 565 216	266 699	4 298 517	4 298 517
Assessable tax losses	(1 750)	-	(1 750)	(32 299)
Other items	660 182	207 153	453 029	298 281
Deferred tax liability	**9 737 274**	**623 539**	**9 113 735**	**1 427 167**
The analysis of deferred tax liabilities is as follows:				
-Deferred tax liabilities to be recovered within 12 months	217 535	-	372 005	-
-Deferred tax liabilities to be recovered after more than 12 months	9 519 739	-	8 741 730	-
	9 737 274	**-**	**9 113 735**	**-**

Deferred tax assets are recognised for assessable tax losses carried forward to the extent that the realisation of the related tax benefit through future profits is probable.

20 TRADE AND OTHER PAYABLES

	2018 US$	2017 US$
Trade payables	5 807 652	5 549 745
Amounts due to related parties	47 102	142 540
Payroll accruals	1 042 407	849 726
Other payables	5 287 404	3 932 331
Provisions for other liabilities (note 20.1)	5 518 631	1 364 773
Accruals and guest deposits	3 654 173	3 805 088
Statutory liabilities	4 420 137	4 485 947
	25 777 506	**20 130 150**
Category		
Current	25 777 506	19 000 001
Non - current	-	1 130 149
	25 777 506	**20 130 150**

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

20 TRADE AND OTHER PAYABLES (CONTINUED)

20.1 Provision for other liabilities

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

The provisions balance is made up of the following:

Year ended 31 December 2018	Balance as at 1 January 2018 US$	Additional provisions US$	Utilised/ reversed provisions US$	Balance as at 31 December 2018 US$
Contractual claims	**364 467**	-	-	364 467
Claims from former employees	**835 787**	-	-	835 787
Legal cost	**-**	-	-	-
Audit of foreign operations	**100 000**	-	-	100 000
Associate company loan guarantee provision (note 11.3)	**-**	671 063	-	671 063
Provision for tax liabilities	**-**	1 728 962	-	1 728 962
Other	**64 519**	1 087	-	65 606
	1 364 773	**2 401 112**	-	**3 765 885**
Staff incentive bonus provision (part of staff incentive scheme expense on note 25)	**-**	1 752 746	-	1 752 746
	1 364 773	**4 153 858**	-	**5 518 631**

Year ended 31 December 2017	Balance as at 1 January 2017 US$	Additional provisions US$	Utilised/ reversed provisions US$	Balance as at 31 December 2017 US$
Contractual claims	**391 813**	-	(27 346)	364 467
Claims from former employees	**835 787**	-	-	835 787
Audit of foreign operations	**-**	100 000	-	100 000
Legal cost	**271 526**	-	(271 526)	-
Other	**-**		64 519	64 519
	1 499 126	100 000	(234 353)	**1 364 773**

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

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

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

(d) Staff incentive bonus provision
This represents the estimated amounts payable in terms of the Group's staff incentive schemes.

(e) Provision for tax liabilities
This arises from tax claims against Brainworks Capital Management (Private) Limited. Refer to note 32.1 for further disclosures.

(f) Loan guarantee liability provision
Refer to note 11.3 for further disclosures on this provision.

21 SHARE CAPITAL

21.1 Issued and paid up share capital

	Number of shares	Stated share capital US$	Ordinary share capital US$	Share premium US$	Total US$
Year ended 31 December 2017					
At the beginning of the year	**863 061 948**	**-**	**86 307**	**66 224 201**	**66 310 508**
Share consolidation (note 21.2)	(776 755 753)		-	-	**-**
Conversion of shares to shares of no par value (note 21.2)	-	66 310 508	(86 307)	(66 224 201)	**-**
Treasury shares (after share consolidation) (note 21.3)	(10 680 555)	(10 525 000)	-	-	**(10 525 000)**
Balance as at 31 December 2017	**75 625 640**	**55 785 508**	**-**	**-**	**55 785 508**
Year ended 31 December 2018					
At the beginning of the year	**75 625 640**	**55 785 508**	**-**	**-**	**55 785 508**
Derecognition of treasury shares (note 21.3)	2 905 556	2 750 000	-	-	**2 750 000**
Issue of shares for cash	10 046 350	4 553 415			**4 553 415**
Balance as at 31 December 2018	**88 577 546**	**63 088 923**	**-**	**-**	**63 088 923**

21.2 Share consolidation and change in par value of shares

In preparation for Brainworks Limited listing on the Johannesburg Stock Exchange in 2017, the Company consolidated the number of shares in issue on the basis of 1 new share for every 10 previously held. In addition, all the issued shares were converted to shares with no par value. This resulted in the conversion of the Company's capital from being comprised of share capital and share premium to being stated capital. The effective shareholding per shareholder was not affected by the share consolidation.

21.3 Treasury shares

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

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

2 905 556 treasury shares which were in issue at the beginning of 2018 were disposed of to parties outside the Group for US$2 615 000, resulting in the recognition of a loss of US$135 000, which has been recognized directly in equity. US$1 006 557 of the total proceeds were received in cash, whilst the balance was used to settle loan that was held by FML Logistics (Private) Limited of US$1 608 443. The 2 905 556 share have therefore been derecognized as treasury shares with effect from the same date. For earnings per share calculation purposes, these shares have been deemed to have been outstanding for only 8 months.

21.4 Rights attaching to the issued shares

All issued shares are fully paid with no par value.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22 EARNINGS PER SHARE

		2018 US$	2017 US$
22.1	Basic earnings/(loss) per share: cents	6.18	(14.68)
22.2	Diluted earnings/(loss) per share: cents	6.18	(14.68)
22.3	Headline loss per share: cents	(3.14)	(14.22)
22.4	Diluted headline loss per share	(3.14)	(14.22)
22.5	**Reconcilation of earnings used in calculating earnings per share**		
	Earnings/(losses) attributable to owners of parent	4 951 126	(11 099 520)
	Loss from disposal of subsidiary (note 26)	947 341	-
	Fair value gain on reclassification of investment in associate to financial assets held at fair value through profit or loss (note 26)	(4 082 299)	-
	Profit from disposal of investment in associate (note 26)	(3 005 626)	-
	Fair value (loss)/gain on investment property (note 26)	(949 580)	384 502
	Profit from disposal of property and equipment (note 27)	(890 860)	203 751
	Loss from disposal of investment property	5 000	-
	Impairment of property and equipment (note 7)	-	44 400
	Tax effect of headline earnings adjustments	244 517	(110 442)
	Total non-controlling effect of adjustments	267 324	(175 457)
	Headline loss attributable to owners of the parent	**(2 513 057)**	**(10 752 766)**

22.6 Weighted average number of shares used as the denominator

	2018 Number	2017 Number
Shares in issue at the beginning of the year	**75 625 640**	**863 061 948**
Share consolidation (note 21.2)	-	(776 755 753)
Recognition of treasury shares (21.3)	-	(10 680 555)
Derecognition of treasury shares (note 21.3)	1 937 037	-
Issue of shares for cash (**)	2 511 588	-
	80 074 265	**75 625 640**
Weighted average number of shares in issue for basic earnings/(loss) per share	80 074 265	75 625 640
Weighted average number of shares in issue for diluted earnings/(loss) per share	80 074 265	75 625 640
Number of shares in issue	88 577 546	75 625 640

** - During October 2018, the Company issued 10 046 350 new ordinary shares for cash proceeds of US$4 553 415 to a new investor in terms of specific authority granted by shareholders on 4 May 2018.

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

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

22 EARNINGS PER SHARE (CONTINUED)

	2018 US$	2017 US$
22.7 Net asset value per share (cents)		
Net assets excluding non-controlling interests	63 067 655	51 475 067
Number of ordinary shares	88 577 546	75 625 640
Net asset value per share	**71.20**	**68.07**
22.8 Net tangible assets per share (cents)		
Net tangible assets	53 005 506	41 718 074
Number of ordinary shares	88 577 546	75 625 640
Net asset value per share	**59.84**	**55.16**
Reconciliation of net asset to net tangible assets		
Net assets excluding non-controlling interests	**63 067 655**	**51 475 067**
Non-tangible assets	(10 062 149)	(9 756 993)
Goodwill (note 9)	(8 261 050)	(8 261 050)
Deferred tax asset (note 14)	(1 801 099)	(1 343 037)
Other intangible assets (note 9)	-	(152 906)
Net tangible assets	**53 005 506**	**41 718 074**

23 NON-CONTROLLING INTEREST

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

	31 December 2018		31 December 2017	
	Dawn Properties US$	African Sun US$	Dawn Properties US$	African Sun US$
Summarised statement of financial position				
Current assets	6 473 341	17 293 408	8 947 909	16 871 664
Current liabilities	(3 544 742)	(21 446 000)	(2 651 828)	(18 846 423)
Current net assets	**2 928 599**	**(4 152 592)**	**6 296 081**	**(1 974 759)**
Non-current assets	94 100 765	31 085 310	89 039 443	22 354 999
Non-current liabilities	(6 226 764)	(7 243 695)	(7 748 724)	(8 871 519)
Non current net assets	**87 874 001**	**23 841 615**	**81 290 719**	**13 483 480**
Net assets	**90 802 600**	**19 689 023**	**87 586 800**	**11 508 721**
Accumulated NCI	**29 898 820**	**8 778 208**	**28 801 011**	**5 350 244**

Refer to note 6 for additional key financial information relating to Dawn Properties Limited and African Sun Limited.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

		2018 US$	2017 US$
24	**LIFE ASSURANCE EXPENSES AND CLAIMS**		
24.1	**Insurance and investment contracts acquisition costs**		
	Insurance contracts acquisition costs incurred and expensed in the year	121 084	298 939
	Investment contracts costs incurred and expensed in the year	-	184 904
		121 084	**483 843**
24.2	**Insurance benefits**		
	Long term insurance contracts with fixed and guaranteed terms:		
	Increase in investment contract liabilities	-	801 555
	Increase in insurance contract liabilities	-	942 461
		-	**1 744 016**
24.3	**Insurance claims and loss adjustment expenses**		
	Gross current year claims and loss adjustment expenses	209 439	116 025
	Reinsurance portion on current year claims and loss adjustment expenses	-	(419)
	Additional cost for prior year claims	-	-
	Increase in the expected cost of claims for unexpired risks	530 548	-
		739 987	**115 606**
		861 071	**2 343 465**
25	**OPERATING EXPENSES**		
	Staff costs	12 023 117	11 785 717
	Staff incentive scheme costs	1 916 606	-
	Pension and social security costs	712 731	272 840
	Retrenchment and separation costs	70 211	57 613
	Staff training	323 147	26 298
	Tax penalty provisions	1 728 962	564 767
	Operating lease expenses - offices	148 986	115 757
	Operating lease expenses - hotels	3 634 033	3 115 569
	Directors fees	475 447	443 071
	Audit fees	439 204	538 197
	Legal fees	198 251	28 033
	Depreciation	4 241 909	4 035 349
	Armotisation of intangible assets	22 097	132 580
	Repairs and maintenance costs	2 850 709	3 002 555
	Insurance costs	735 895	486 318
	Electricity, rates and water	3 363 471	3 127 593
	Sales and marketing costs	2 348 199	1 915 819
	Listing expenses	84 311	1 698 683
	Consulting costs	521 566	493 135
	Franchising fees	1 026 356	752 837
	Travel	66 374	24 182
	Impairment of trade and other receivables (note 16.2)	372 604	959 085
	Net movement in provisions charged to statement of comprehensive income (note 20.1)	2 401 112	-
	Trade and other receivables written off	396 066	192 221
	Security costs	896 190	842 839
	Management fees	2 718 792	1 394 343
	Other costs	4 182 348	4 251 039
		47 898 694	**40 256 440**

25 OPERATING EXPENSES (CONTINUED)

25.1 Distribution of operating expenses across the Group companies

Administration costs are distributed as follows amongst all companies in the Group: African Sun Limited 74% (2017: 75%), Brainworks Capital Management (Private) Limited 10% (2017: 5%), Dawn Properties Limited 8% (2017: 6%), FML Logistics (Private) Limited 3% (2017: 4%), GetSure Life Assurance (Private) Limited 1% (2017: 3%), and Brainworks Limited 4% (2017:7%).

26 OTHER (LOSSES)/(GAINS)

	2018 US$	2017 US$
Fair value adjustment on investment property (note 8)	949 580	(384 502)
Fair value gain on remeasurement of investment in associate (note 11.1)	4 082 299	-
Loss from disposal of subsidiary (note 10.2.1)	(947 341)	-
Profit from disposal of associate (note 11.2)	3 005 626	-
Loss from disposal of financial assets at fair value through profit or loss	(813 380)	-
	6 276 784	**(384 502)**

27 SUNDRY INCOME

	2018 US$	2017 US$
Unwinding of interest of staff debtors	-	19,692
Profit/(loss) from disposal of property and equipment	890 860	(203 751)
RBZ export incentive	2 967 977	1 510 022
Other income	783 375	398 904
	4 642 212	**1 724 867**

28 FINANCE COSTS AND INCOME

	2018 US$	2017 US$
28.1 Finance income		
Interest income on bank deposits	12 285	3 474
Interest on short term investments	102 218	168 527
	114 503	**172 001**
28.2 Finance costs		
Interest costs on borrowings	(3 272 000)	(4 414 067)
Net finance costs for the year	**(3 157 497)**	**(4 242 066)**

29 INCOME TAX

The Company is subject to income tax in Mauritius under the Income Tax Act 1995 at the rate of 15% (2017: 15%). However, it is entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and 80% of the Mauritian tax on its foreign source income. The maximum effective tax rate is thus reduced to 3%. Unused tax losses carried forward are available to set-off against future income derived in the following 5 income years. The time limit of 5 years shall not apply for the carry forward of any amount of loss that is attributable to annual allowance claimed in respect of capital expenditure.

	2018 US$	2017 US$
Current year charge	4 332 489	1 135 096
Deferred tax	434 756	907 305
	4 767 245	**2 042 401**

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

	2018 US$	2017 US$
Profit/(loss) before income tax	**15 181 694**	**(6 004 831)**
Tax at applicable rates	4 428 943	1 046 172
Non-taxable income - RBZ export incentive income	(254 046)	(366 601)
Impairment losses	56 307	360 544
Fair value (gains)/losses	(541 785)	93 442
Effect on tax capital allowances granted in investment property	-	(212 653)
Other non-taxable income	-	(443 927)
Movements in provisions	-	(41 796)
Loss from disposal of property and equipment	6 533	11 454
Listing expenses	-	254 803
Fines and penalties	(9 409)	145 258
Tax losses on whom no deferred tax asset was recognised	718 542	945 961
Utilisation of previously unrecognised tax losses	-	(137 410)
Other non-deductible items	362 160	387 154
	4 767 245	**2 042 401**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

29 INCOME TAX (CONTINUED)

The applicable tax rates in the different counties for the year were; South Africa 28% (2017: 28%), Zimbabwe 25.75% (2017: 25.75%) and Mauritius 15% (2017: 15%)

30 CAPITAL COMMITMENTS

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

Capital expenditure relates to acquisition of property and equipment for African Sun Limited. The greater part of capital expenditure will be financed from cash generated from operations.

31 RELATED PARTY TRANSACTIONS

31.1 Directors and key management remuneration

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

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

	2018 US$	2017 US$
Short term employee benefits	1 883 590	2 316 024
Post employment benefits	121 341	80 134
Total Group non-executive directors' fees	469 647	443 071
	2 474 578	**2 839 229**

Compensation of the key management personnel includes salaries, allowances and contributions to a defined contribution plan.

31.2 Executive directors' remuneration (included in note 31.1 disclosures)

The remuneration paid by the Group to Brainworks Limited's executive directors which is included in the disclosures above, was as follows:

	2018				2017			
Executive directors	Basic salary US$	Pension US$	Medical aid US$	Total US$	Basic salary US$	Pension US$	Medical aid US$	Total US$
B Childs	211 776	-	-	**211 776**	176 670	-	-	**176 670**
P Saungweme	240 000	13 400	3 960	**257 360**	180 000	12 000	2 970	**194 970**
G Manyere	-	-	-	**-**	30 000	500	-	**30 500**
W Kambwanji	-	-	-	**-**	82 500	1 500	-	**84 000**
Total	**451 776**	**13 400**	**3 960**	**469 136**	**469 170**	**14 000**	**2 970**	**486 140**

The disclosures above are gross, that is before deduction of any applicable income taxes.

Mr. G. Manyere and Mr. W. Kambwanji stepped down as executive directors of the Company with effect from 31 January 2017 and 31 March 2017 respectively. They were replaced by Mr. B. Childs and Mr. P. Saungweme respectively on the same dates. Mr. Manyere and Mr. Kambwanji, who both became Non-Executive Directors of the Company, then concluded annual advisory agreements with the Company with effect from the same date dates. The advisory expired during the year and was not renewed.

31 RELATED PARTY TRANSACTIONS (CONTINUED)

31.2 Executive Directors' remuneration (continued)

The remuneration accrued to Mr. Manyere and Mr. Kambwanji since they stepped down as executive directors for the year ended 31 December 2018 was as follows:

	2018 US$	2017 US$
Mr. G. Manyere	25 000	275 000
Mr. W. Kambwanji	112 500	300 000
	137 500	**575 000**

31.3 Non-Executive directors' remuneration for the Company (included in note 31.1 disclosures)

	2018			2017		
Non executive directors	**Retainer US$**	**Sitting Fees US$**	**Total US$**	**Retainer US$**	**Sitting Fees US$**	**Total US$**
S. Village	42 308	25 001	67 309	38 462	15 385	53 847
M. Wood	21 892	15 384	37 276	23 077	13 461	36 538
R. Muirimi	26 923	17 788	44 711	25 000	15 384	40 384
G. Bennett	26 923	16 826	43 749	25 000	15 384	40 384
R. Charrington	26 923	16 346	43 269	25 000	15 384	40 384
A. Mothupi	21 154	12 019	33 173	21 154	11 538	32 692
C. Mtasa*	1 992	-	1 992	-	-	-
S. Nyarota*	1 992	1 922	3 914	-	-	-
	170 107	**105 286**	**275 393**	**157 693**	**86 536**	**244 229**

* - appointed on 19 November 2018.

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

On 4 May 2018, the Group completed the sale of some of the ordinary shares previously held in GetBucks to entities associated with Mr. G. Manyere and Mr. W. Kambwanji. Refer to note 11.1 for further disclosure. Mr. G. Manyere and Mr. W. Kambwanji were previously non-executive directors of the Company who both resigned from the Board on 31 January 2018.

31.5 Other related party transactions and balances

The details of other related party transactions were as follows:

Related party	Relationship	Nature of transaction	2018 US$	2017 US$
Transactions with related parties				
GetBucks Financial Services Limited	Associate	Finance cost	-	419 864
GetCash#	Associate	Rental income	-	30 000
GetCash#	Associate	Finance income	-	66 213
MyBucks	Parent of GetBucks	Finance cost	-	141 246
Mr. Simon F. Village	Non- Executive Director	Finance cost	24 747	1 101
Mr. Brett I. Childs	Chief Executive Officer	Finance cost	16 385	1 433
Mr. Christopher Rokos	Major shareholder	Finance cost	376 978	16 437
Amounts (due to)/from related parties				
GetCash#	Associate	Receivable	181 936	330 622
MyBucks S.A.	Parent of Getbucks*	Borrowings	-	(453 227)
GetBucks*	Associate	Borrowings	-	(2 783 237)
Staff loans	Management	Receivables	661 480	928 145

* GetBucks refers to GetBucks Microfinance Bank Limited
\# GetCash refers to Coporeti Support Services (Private) Limited

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

31 RELATED PARTY TRANSACTIONS (CONTINUED)

31.5 Other related party transactions and balances (continued)

Outstanding loans due to Mr. Village, Mr. Childs, Mr. Rokos, Argentum Limited and staff loans

The terms of the loans are disclosed under note 18, whilst staff loans are disclosed under note 16.1.

Amounts due from GetCash

Refer to note 11.3 for further disclosures relating to amounts due from Getcash

32 CONTINGENCIES

32.1 Tax claims against Brainworks Capital Management (Private) Limited

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

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

33 EVENTS AFTER THE REPORTING DATE

33.1 Currency pronouncements in Zimbabwe

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

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

33 EVENTS AFTER THE REPORTING DATE (CONTINUED)

33.1 Currency pronouncements in Zimbabwe (continued)

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

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

This development marked the second phase of currency reform pronouncements.

Impact of Zimbabwean currency developments on Group financial reporting

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

33 EVENTS AFTER THE REPORTING DATE (CONTINUED)

33.1 Currency pronouncements in Zimbabwe (continued)

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

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

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

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

Estimated financial impact of the pronouncements

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

33 EVENTS AFTER THE REPORTING DATE (CONTINUED)

33.1 Currency pronouncements in Zimbabwe (continued)

Estimated financial impact of the pronouncements (continued)

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

Sensitivity analysis - statement of financial position

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

33 EVENTS AFTER THE REPORTING DATE (CONTINUED)

33.1 Currency pronouncements in Zimbabwe (continued)

Sensitivity analysis - revenue

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

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

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

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

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

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

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

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

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

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

We certify, to the best of our knowledge and belief, that we have filed with the Registrar of Companies all such returns as are required of Brainworks Limited (the "Company") under Section 166 (d) of the Mauritius Companies Act 2001, for the year ended 31st December 2018.

for Imara Trust Company (Mauritius) Limited
Corporate Secretary

Registered office:

Level 2, Alexander House
Silicon Avenue, Ebene Cybercity
Republic of Mauritius

30 April 2019

Notice of Annual General Meeting

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

Notice is hereby given to the shareholders of the Company that the Annual General Meeting of the Company ("AGM") will be held at the Company's head office, main boardroom, Level 2 Alexander House, Silicone Avenue, Ebène Cybercity 72201, Republic of Mauritius, on Friday the 28th of June 2019 at 15:00 (GMT +4), for the purpose of considering the following business to be transacted and, if deemed fit, passing with or without amendment, the ordinary and special resolutions and the non-binding advisory endorsements set out hereunder, and considering any other matters raised by shareholders, at the AGM.

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

Voting thresholds:
For the purpose of approving the ordinary resolutions, other than ordinary resolution number 5, the support of more than 50% of the voting rights exercised by shareholders present in person, or represented by proxy, at the AGM is required. In terms of the JSE Listings Requirements, in order for ordinary resolution number 5 to be adopted, the support of at least 75% of the voting rights exercised thereon by shareholders present in person or represented by proxy at the AGM is required.

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

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

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

- receive notice of the AGM is Thursday, 18 April 2019 ("Notice Record Date"); and
- participate in and vote at the AGM Friday, 21 June 2019 ("AGM Record Date").

The last day to trade in order to be registered in the Company's register of shareholders to be able to participate in and vote at the AGM will therefore be Tuesday, 18 June 2019.

Remuneration Policy and Implementation Report
Shareholders are advised that the Remuneration Policy is currently being revised by the Company and will be made available to shareholders by no later than the 25th of May 2019, and will be published on the Company's website. The Remuneration Policy and Implementation Report will be tabled at the AGM for the purpose of enabling shareholders to vote thereon in terms of non-binding advisory endorsements number 1 and 2 contained in this Notice of AGM ("Notice").

Notice of Annual General Meeting (continued)

Presentation of financial statements and reports
Shareholders are presented with the annual financial statements on pages 35 to 107, directors' report pages 3 to 13 and the social and ethics committee report set out on pages 26 to 27 of the Annual Report of which this Notice forms a part.

1. **Annual Financial Statements**

The consolidated audited financial statements for Brainworks and its subsidiaries ("the Group") for the year ended 31 December 2018 ("the Audited Financial Statements"), as approved by the Board, which contain the reports of the Independent Auditors and the Board, have been distributed to shareholders and will be presented to the shareholders at the AGM for consideration. The Audited Financial Statements are included on pages 35 to 107 of the annual report for the year ended 31 December 2018 ("Annual Report") and are also published on the Company's website (http://www.brainworkscapital.com/investor-relations/financial-resultsreports).

Ordinary Resolution Number 1: Adoption of the Audited Annual Financial Statements and Reports

"RESOLVED THAT the Audited Financial Statements for the financial year ended 31 December 2018 including the report of the Directors and Independent Auditors thereon be and are hereby adopted."

2. **Independent Auditors**

Ordinary Resolution Number 2: Reappointment of Independent Auditors

"RESOLVED THAT PricewaterhouseCoopers Mauritius and PricewaterhouseCoopers Chartered Accountants (Zimbabwe) be and are hereby reappointed as Independent Auditors of the Group for the year ending 31 December 2019 with the designated auditor being Clive Mukondiwa and that the Board be and is hereby authorised to settle the terms of engagement of the Independent Auditors."

3. **Re-election of Directors**

In terms of the Constitution of the Company at each annual general meeting at least one third of the directors shall retire from office and may make themselves available for re-election. In the result, all the Company's directors retire, and being eligible, offer themselves for re-election as directors of the Company. Accordingly, shareholders are required to consider and, if deemed fit, approve the separate ordinary resolutions set out below:

Ordinary Resolution Number 3.1

"RESOLVED THAT Mrs. Chipo Mtasa, who retires as the Lead Independent Non-Executive Director and, being eligible offers herself for re-election in terms of paragraph 12.4.3 of the Constitution of the Company, be and is hereby re-elected as the Lead Independent Non-Executive Director."

Ordinary Resolution Number 3.2

"RESOLVED THAT Ms. Audrey Mamoshoeshoe Mothupi, who retires as an Independent NonExecutive Director and, being eligible offers herself for re-election in terms of paragraph 12.4.3 of the Constitution of the Company, be and is hereby re-elected as an Independent Non-Executive Director."

Notice of Annual General Meeting (continued)

Ordinary Resolution Number 3.3

"RESOLVED THAT Mr. Simon Nyarota, who retires as an Independent Non-Executive Director and, being eligible offers himself for re-election in terms of paragraph 12.4.3 of the Constitution of the Company, be and is hereby re-elected as an Independent Non-Executive Director."

Brief Curricula Vitae in respect of all the directors set out above are set out on pages 15 to 19 of the Annual Report of which this Notice forms a part.

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

Ordinary Resolution Number 4 – Election of members of the Audit and Risk Committee for the year ending 31 December 2019

Mr. Martin Wood and Mr. Richard Charrington both resigned from the Board and were both members and of the Company's Audit and Risk Committee with Mr. Wood chairing the Audit and Risk Committee. As a result of these resignations, the following Non-Executive Directors were appointed to the Company's Audit and Risk Committee, subject to approval at the Company's AGM:

Mrs. Chipo Mtasa (Chairperson);
Mr. George Sidney John Bennett; and
Mr. Simon Nyarota.
Shareholders are required to consider and, if deemed fit, approve the separate ordinary resolutions set out below:

Ordinary Resolution Number 4.1

"RESOLVED THAT Mrs. Chipo Mtasa be appointed as a member and Chairperson of the Audit and Risk Committee until the conclusion of the next AGM of the Company, (subject to her re-election as a director pursuant to ordinary resolution number 3.1)."

Ordinary Resolution Number 4.2

"RESOLVED THAT Mr. George Sidney John Bennett be re-appointed as a member of the Audit and Risk Committee until the conclusion of the next AGM of the Company."

Ordinary Resolution Number 4.3

"RESOLVED THAT Mr. Simon Nyarota be appointed as a member of the Audit and Risk Committee until the conclusion of the next AGM of the Company (subject to his re-election as a director pursuant to ordinary resolution number 3.3)."

Brief Curricula Vitae in respect of the members of the Audit and Risk Committee are set out on pages 15 to 19 of the Annual Report of which this Notice forms a part.

Notice of Annual General Meeting (continued)

5. General authority to issue shares for cash

Ordinary Resolution Number 5

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

- the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class of shares already in issue;
- the shares are to be issued to public shareholders (as defined by the JSE Listings Requirements) and not to related parties;
- the total aggregate number of shares which may be issued for cash in terms of this authority may not exceed 8,853,120 shares, being 10% of the aggregate number of shares in issue as at the date of this Notice (excluding 7,775,000 treasury shares);
- any ordinary shares issued under this authority during the period of its validity must be deducted from the above number of ordinary shares;
- in the event of a sub-division or consolidation of shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
- the maximum discount at which the shares may be issued is 10% (ten percent) of the weighted average trade price of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the Company and the party/ies subscribing for the shares. The JSE should be consulted for a ruling if the Company's securities have not traded in such 30 (thirty) business day period;
- this authority shall not endure beyond the earlier of the next AGM of the Company or beyond 15 (fifteen) months from the date of this resolution whichever is shorter; and
- upon any issue of shares which, together with prior issues of shares within the period that this authority is valid, constitute 5% (five percent) or more of the total number of shares in issue prior to that issue, the Company shall publish an announcement in terms of the JSE Listings Requirements, giving full details hereof, including (i) the number of shares issued (ii) the average discount to the weighted average traded price of the shares over the 30 (thirty) business days prior to the date that the issue is agreed in writing between the Company and the party/ies subscribing for the shares; and (iii) the effects of the issue on net asset value per share, net tangible asset value per share, the statement of comprehensive income, earning per share, headline earning per share and, if applicable, diluted earnings and headline earnings per share and an explanation, including supporting information (if any) of the intended use of the funds."

6. Directors' Authority

Ordinary Resolution Number 6

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

7. Advisory Endorsement Number 1 – Endorsement of the Company's Remuneration Policy

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

Notice of Annual General Meeting (continued)

8. Advisory Endorsement Number 2 – Endorsement of the Company's Implementation Report

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

9. Non-Executive Directors' Fees

Details of the Non—Executive Director's Fees are set out on page 102 of the Annual Report of which this Notice forms a part.

Special Resolution Number 1

"RESOLVED THAT the proposed fees payable to the Non-Executive Directors of the Company for their services as Directors of the Company and/or as members of the board sub-committees for the year ended 31 December 2018, as reflected on page 102 of the Annual Report of which this Notice forms a part, be and are hereby approved until the conclusion of the next AGM of the Company."

10. General Authority to repurchase the Company's shares

Special Resolution Number 2

"RESOLVED THAT, the acquisition by the Company or its subsidiaries, of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the Directors of the Company may determine, is authorised, but subject to the Constitution of the Company, the CA2001 and the JSE Listings Requirements, where applicable, specifically:

- the repurchase shall be made through the order book operated by the JSE trading system, and done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counterparty (reported trades are prohibited);
- authorisation thereto being given by the Company's Memorandum of Incorporation;
- this general authority shall be valid until the Company's next AGM, or for 15 (fifteen) months from the date of passing of this resolution, whichever period is shorter;
- repurchases of shares in aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued ordinary share capital as at the date of adoption of this resolution;
- repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction is effected and the JSE should be consulted for a ruling if the Company's shares have not traded in such 5 (five) business day period;
- at any point in time the Company may only appoint one agent to effect any repurchase on the Company's behalf or on behalf of any subsidiary of the Company;
- a resolution by the Board authorising the repurchase is required, including that the Company and the relevant subsidiaries passed the solvency and liquidity test in accordance with CA2001 and that since the test was performed there have been no material changes to the financial position of the Group;

Notice of Annual General Meeting (continued)

- subject to the exceptions contained in the JSE Listings Requirements, the Company and the relevant subsidiaries will not repurchase shares during a prohibited period (as defined in the JSE Listings Requirements) unless they have in place a repurchase programme where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company or any of the subsidiaries of the Company must instruct an independent third party, which makes its investment decisions in relation to the Company or any of its subsidiaries' securities independently of, and uninfluenced by, the Company or any of its subsidiaries, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and
- an announcement will be published by the Company or its subsidiary in accordance with the JSE Listings Requirements (i) when the Company and/or its subsidiary/ies have cumulatively repurchased 3% (three percent) of the shares in issue as at the time that the general authority from shareholders is granted ("the initial number") and (ii) for each 3% (three percent) in the aggregate of the initial number of the shares acquired thereafter by the Company and/or its subsidiaries."

A repurchase of shares is not contemplated at the date of this Notice. However, the Board believes it to be in the best interest of the Company that shareholders grant a general authority to provide the Board with optimum flexibility to repurchase shares as and when an opportunity that is in the best interest of the Company arises.

This authority will only be utilised to the extent that the directors, after considering the maximum effect of such repurchase, for a period of at least 12 (twelve) months after the date of notice of the AGM are of the opinion that:

- the Company and the Group will be able to repay their debts in the ordinary course of business;
- the assets of the Company and the Group, fairly valued according to International Financial Reporting Standards and on a basis consistent with the latest audited annual financial statements of the Group, exceed its liabilities;
- the Company and the Group have adequate share capital and reserves for ordinary business purposes;
- the Company and the Group have sufficient working capital for ordinary business businesses.

Additional disclosure requirements in respect of special resolution number 2 in terms of the JSE Listings Requirements:

Directors' responsibility statement

The Directors of the Company, whose names appear on page 2 of the Annual Report:

- collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2; and
- certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this Notice contains all information in relation to special resolution number 2 required by the JSE Listings Requirements.

Material changes

As at 25 April 2019 being the last practicable date before the finalisation of this notice, there have been no material changes in the financial or trading position of the Company and its subsidiaries that have occurred since 31 December 2018 (the date of the last financial period) other than the facts and developments reported on in the Audited Annual Financial Statements and the Annual Report.

Other disclosures in terms of the JSE Listings Requirements are contained in this Annual Report as follow:

- Major shareholders Page 12
- Share capital of the Company Page 96

Notice of Annual General Meeting (continued)

Voting

In terms of section 73 of the Companies Act 2001, subsidiaries of the Company which hold shares in the Company shall not be entitled to exercise voting rights on any resolutions proposed by the Company in respect of such shares.

Voting on the resolutions to be considered at the AGM will be conducted by way of a poll. In this regard, every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.

Shareholders who hold dematerialised shares, other than holders of dematerialised shares registered in their own name, must inform their Central Securities Depository Participant ('CSDP') or broker of their intention to attend the AGM and must request their CSDP or broker to issue them with the necessary letter of representation to attend the AGM if they wish to attend the AGM in person or provide their CSDP or broker with their voting instructions should they not wish to attend the AGM in person, failing which the CSDP or broker will be obliged to act in terms of the mandate between such shareholder and their CSDP or broker.

Proxies

Shareholders holding certificated shares and shareholders holding dematerialised shares registered in such shareholders' own name and who are registered as such on the AGM Record Date are entitled to attend, participate in and vote at the AGM and, if unable to do so in person, may appoint a proxy or proxies (acting in the alternative) to attend, participate in, speak and vote at the AGM in such shareholders' stead. A proxy need not be a shareholder of the Company. The completion and lodging of a form of proxy will not preclude a shareholder from attending, participating in, speaking and voting at the AGM to the exclusion of the proxy/ies so appointed.

It is recommended that the attached form of proxy, duly completed, should be returned to the Transfer Secretaries of the Company, Computershare Investor Services Proprietary Limited, at their address as given on the Corporate Information page below, in accordance with the instructions contained therein so as to be received by the transfer secretaries (for administrative purposes only) by 15:00 (GMT + 4) on Wednesday, 26 June 2019 or to be handed to the Chairman of the AGM on commencement of the AGM, but in any event, prior to the proxy exercising such shareholder's rights as a shareholder at the AGM or at any adjourned or postponed annual general meeting which date, if necessary, will be notified on the Stock Exchange News Service of the JSE and in the press.

Electronic communication

Should any shareholder (or a representative or proxy for a shareholder) wish to participate in the AGM by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the transfer secretaries, at their address below, to be received by the transfer secretaries at least seven business days prior to the date of the AGM (i.e. by Wednesday, 19 June 2019) in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide satisfactory identification to the transfer secretaries for the transfer secretaries to provide the shareholder (or its representative or proxy) with details as to how to access the AGM by means of electronic participation. Shareholders participating electronically will not be able to vote electronically and must follow the standard voting arrangements indicated above. The Company reserves the right not to provide for electronic participation at the AGM in the event that it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to so participate.

Notes

BRAINWORKS

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

FORM OF PROXY

To be completed by registered certified shareholders and dematerialised shareholders with own-name registration only

This form of proxy relates to the Annual General Meeting of the Company to be held at level 2 Alexander House, Silicon Avenue, Ebene Cybercity, Mauritius on Friday 28th of June 2019 at 15:00 (GMT +4) and is for use by registered shareholders whose shares are registered in their own names by the record date for determining which shareholders of the Company are entitled to participate in and vote at the AGM, being Friday 21 June 2019.

Terms used in this form of proxy have the meanings given to them in the notice of the AGM to which this form of proxy is attached.

Please print clearly when completing this form of proxy and see the instructions and notes at the end of this form of proxy for an explanation of the use of this form of proxy and the rights of the shareholders and the proxy.

I/We (full name in block letters)

Of (address)

Telephone (home) (work)

Mobile Email address:

being a shareholder(s) of the Company and being the registered owner/s of

ordinary shares in the Company herby appoint of

or failing him/ her of

or failing him/her the Chairperson of the AGM, to attend and participate in the AGM and to speak and to vote or abstain from voting for me/us and on my/our behalf in respect of all matters arising (including any poll and all resolutions put to the AGM) at the AGM, even if the AGM s postponed, and at any resumption thereof after any adjournment

My/our proxy shall vote as follows:

Please indicate

	ABSTAIN	FOR	AGAINST
Authority to Implement Ordinary Resolutions			
Annual Financial Statement			
Ordinary Resolution Number 1: Receipt and adoption of the annual financial statement and reports			
Independent Auditors			
Ordinary Resolution Number 2: Reappointment of Independent Auditors			
Re-election of Directors			
Ordinary Resolution Number 3: Re-election of Directors			
Ordinary Resolution Number 3.1: Mrs. Chipo Mtasa			
Ordinary Resolution Number 3.2: Ms. Audrey M. Mothupi			
Ordinary Resolution Number 3.3: Mr. Simon Nyarota			
Election of Member of the Audit and Risk Committee			
Ordinary Resolution Number 4: Election and appointment of members of the Audit and Risk Committee for the year ending 31 December 2019			
Ordinary Resolution Number 4.1: Mrs Chipo Mtasa			
Ordinary Resolution Number 4.2: Mr. George S.J. Bennett			
Ordinary Resolution Number 4.3: Mr. Simon Nyarota			
General Authority to Issue Shares for Cash			
Ordinary Resolution Number 5: General authority to issue shares for cash			
Director's Authority			
Ordinary Resolution Number 6: Director's Authority			
Advisory Endorsement Number 1 Remuneration Policy			
Advisory Endorsement Number 1: Remuneration Policy			
Advisory Endorsement Number 2 Implementation Report			
Advisory Endorsement Number 2: Implementation Report			
Authority to Implement Special Resolutions			
Special Resolution Number 1: Non-Executive Directors Fees			
Special Resolution Number 2: General Authority to Repurchase the Company's Shares			

Note
(Indicate instruction to proxy by way of a cross in the relevant space provided above)
Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.
Please read the notes on the revere side hereof.

Signed this day of 2019

Signature Capacity

Instructions to the Form of Proxy

1. This form of proxy should be received at the Company's transfer office, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, by no later than 15:00 (GMT + 4) on Wednesday, 26 June 2019 for administration purposes or thereafter it may be handed to the Chairman at the commencement of the AGM, but in any event, prior to the proxy exercising such shareholder's rights as a shareholder at the AGM.

2. This form of proxy is for use by registered shareholders who wish to appoint another person (a proxy) to represent them at the AGM. If duly authorised, companies and other corporate bodies who are registered shareholders may appoint a proxy using this form of proxy, or may appoint a representative in accordance with paragraph 11 below. Other shareholders should not use this form of proxy. All beneficial shareholders who have dematerialised their shares through a CSDP or broker must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the AGM in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker.

3. This proxy shall apply to all ordinary shares registered in the name of the shareholder who signs this form of proxy at the record date unless a lesser number of shares is inserted.

4. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the Company. If the name of the proxy is not inserted, the chairman of the AGM will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this form of proxy may not delegate the authority given to him in this form of proxy.

5. Unless revoked, the appointment of a proxy in terms of this form of proxy remains valid until the end of the AGM, even if the AGM or part thereof is postponed or adjourned.

6. If:
   6.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or
   6.2 the shareholder gives contradictory instructions in relation to any matter; or
   6.3 any additional resolution/s which are properly put before the AGM; or
   6.4 any resolution listed in the form of proxy is modified or amended, then the proxy shall be entitled to vote or abstain from voting, as he thinks fit, in relation to that resolution or matter.

   If, however, the shareholder has provided further written instructions which accompany this form of proxy and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in paragraphs 6.1 to 6.4, then the proxy shall comply with those instructions.

7. If this form of proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this form of proxy will not be effective unless:
   7.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
   7.2 the Company has already received a certified copy of that authority.

8. The Chairman of the AGM may, in his discretion, accept or reject any form of proxy or other written appointment of a proxy which is received by the Chairman prior to the time when the AGM deals with a resolution or matter to which the appointment of the proxy relates. However, the Chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.

9. Any alterations made in this form of proxy must be initialled by the authorised signatory/ies.

10. This form of proxy is revoked if the shareholder who granted the proxy:
    10.1 gives written notice of such revocation to the Company, so that it is received by the Company before 15:00 (GMT + 4) on Wednesday, 26 June 2019, or:
    10.1.1 subsequently appoints another proxy for the AGM; or
    10.1.2 attends the AGM himself in person.

11. If duly authorised, companies and other corporate bodies that are shareholders of the Company having shares registered in their own names may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the AGM by giving written notice of the appointment of that representative. That notice will not be effective at the AGM unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the Company's transfer office, Computershare Investor Services (Pty) Ltd, by no later than 15:00 (GMT + 4) on Wednesday, 26 June 2019 for administrative purposes.

12. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the AGM and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.

Transfer secretaries' office
Computershare Investor Services (Pty) Ltd,
Rosebank Towers, 15 Biermann Avenue,
Rosebank, 2196, Johannesburg,
South Africa.
(PO Box 61051, Marshalltown, 2107)

BRAINWORKS

REGISTERED OFFICE:
C/o Imara Trust Company (Mauritius) Limited
Level 2 Alexander House
Silicone Avenue, Ebène Cybercity 72201
Republic of Mauritius