BRAINWORKS

CONDENSED REVIEWED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2019

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

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Non-executive directors
Simon F.W VILLAGE (Chairman)
Chipo MTASA (lead independent non-executive)
Richard G. MUIRIMI
George SJ. BENNETT
Manisha RAMPHUL
Zain MADARUN
Audrey M. MOTHUPI
Simon NYAROTA

Executive director
Peter SAUNGWEME (Interim Chief Executive Officer and Chief Finance Officer)

LEGAL ADVISORS

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

Dube, Manikai and Hwacha
7th Floor, Mercury House,
Corner Sam Nujoma Street and Robert Mugabe Road,
24 George Silundika Avenue,
Harare,
Zimbabwe

Bowman
11 Alice Lane
Sandton, 2146
Johannesburg,
South Africa

Evershed Sutherlands
Suite 310, 3rd Floor, Barkly Wharf,
Le Caudan Waterfront,
Port Louis,
Republic of Mauritius

BANKERS:

AfrAsia Bank Limited
4th Floor, NeXTeracom Tower III,
Ebène,
Republic of Mauritius

COMPANY SECRETARY

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

REGISTERED OFFICE:

c/o Adansonia Management Services Limited
Suite 1 Perrieri Office Suites
C2-302, Level 3, Office Block C
La Croisette, Grand Baie, 30517
Republic of Mauritius
Registration number: 115883 C1/GBL

INDEPENDENT STATUTORY AUDITOR:

PricewaterhouseCoopers
PwC Centre
Avenue de Telfair
Telfair 80829, Moka
Republic of Mauritius

JOHANNESBURG STOCK EXCHANGE ACCREDITED INDEPENDENT AUDITOR:

PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Building No. 4
Arundel Office Park, Norfolk Road,
Mt Pleasant,
Harare,
Zimbabwe

SPONSOR:

Questco Corporate Advisory Proprietary Limited
1st Floor, Yellowwood House,
Ballywoods Office Park,
33 Ballyclare Drive,
Bryanston,
2191,
Johannesburg,
South Africa

COMMENTARY

INTRODUCTION

The directors hereby present the condensed reviewed consolidated financial statements ("the interim financial statements") of Brainworks Limited ("the Company") and its subsidiaries (together "the Group") for the six months ended 30 June 2019. All the Company's subsidiaries operate in Zimbabwe.

KEY ECONOMIC AND POLITICAL DEVELOPMENTS IN ZIMBABWE

The country continued to face economic challenges during the six months ended 30 June 2019, with further implementation of currency reforms in line with the Transitional Stabilisation Programme ("TSP") which was adopted in October 2018. Most entities in the manufacturing sector faced viability and operational challenges as a result of foreign currency, fuel and electricity shortages.

Representing the second phase of public pronouncements on currency reforms, on 20 February 2019, the Reserve Bank of Zimbabwe ("RBZ") through a monetary policy statement introduced policies aimed at establishing a formal trading mechanism of RTGS balances and bond notes with international currencies by establishing an Interbank Foreign Exchange. The measures were also aimed at preserving and mobilizing foreign currency for external payments, that include importation of goods and services, and servicing of the country's external obligations. On the same date, the RBZ announced the official designation of the existing RTGS balances and bond notes and coins in circulation then as RTGS dollars, in order to establish an exchange rate between the RTGS dollars and foreign currencies. The RTGS dollars thus became part of the multi-currency system in Zimbabwe. This effectively introduced the RTGS as the functional currency in Zimbabwe with effect from 22 February 2019. The RTGS dollar began trading on the interbank platform at a rate of 1US$ to 2.5RTGS dollars towards the end of February 2019.

Since making its debut on the formal currency trading platform, the Zimbabwe dollar has depreciated against major currencies thereby significantly exerting pressure on the cost of production and eroding disposable income. Most sectors of the economy were negatively affected by pricing distortions that followed this policy pronouncement.

On 24 June 2019, the Ministry of Finance and Economic Development announced the issue of Statutory Instrument ("SI") 142 of 2019, which instructed the immediate end of the multi-currency regime; thereby introducing the Zimbabwe dollar ("ZWL") as the sole legal tender for the settlement of all domestic transactions. This was the third instructive currency reform public pronouncement since October 2018.

Confidence in the local currency unit remains subdued as the desired effect of these currency reforms has not yet been fully achieved. Inflation rate spiralled upwards with June 2019 inflation rates rising to 39.26% and 175.66% for month on month and year on year inflation, respectively. As a result, there are still notable distortions in the pricing for goods and services, as players adopt various models in factoring the effect of inflation and local currency unit exchange rates against the US$.

On the political front, the environment remains relatively stable, in spite of the January 2019 violent demonstrations which led to cancellations and deferred hotel bookings. This, combined with the adverse impact of the domestic economic challenges, impacted negatively on volumes, resulting in the Group's hotel occupancies declining to 45% from 55% in the prior period.

FINANCIAL RESULTS

Revenues

The Group's revenue recorded a 31% decline to US$21.5 million from US$31 million recorded during the 2019 comparative period. Revenue decrease was recorded by the Group's two main operating segments, Hospitality and Real Estate segments. The decrease in revenues is primarily attributable to:

a. decrease in hotel occupancies; and
b. the translation impact of revenues in line with the requirements of International Accounting Standard ("IAS") 21 – The Effects of Changes in Foreign Exchange Rates following the formal establishment of an exchange rate between the ZWL and the US$ in February 2019. Current year Zimbabwean based revenues were translated at an average exchange rate of 1US$: 4.5ZWL for the six months under review. In contrast, revenues for the comparative period were recognised on a 1:1 parity position between the ZWL and the US$.

The Hospitality segment remains the major driver of total revenue, with contribution of 91% (US$19.7 million) of the total current interim period revenue. Revenue from this segment decreased by 27% to US$19.7 million compared to US$27 million recorded over the same period in the prior year. The decline in revenue was attributable to a 10 percentage points decrease in occupancy from 55% reported in the prior period to 45%, and the currency translation development earlier alluded to. Room nights dropped by 16% to 132 525 from 158 210 reported in the comparable period, with all the source markets recording negative growth.

Operating expenses
At US$10.3 million, Group operating expenses recorded a 49% decrease in comparison to the prior year of US$20 million. The hospitality segment alone recorded decrease in operating expenses of 45% from US$16.5 million in 2018 to US$9.1 million during the year under review, partly due to the currency translation impact and better cost containment strategies which were implemented across the Group. The foreign currency generation capacity of the Hospitality segment provided a positive leverage in containing inflationary pressures on operating costs, as the segment had the means and capacity to directly import key inputs for the hotels, thereby improving operating margins.

Debt and finance costs
The Group continues to focus on reducing its debt to sustainable level. In that regard, the Group achieved debt reduction of 52% from US$17.1 million as at the beginning of the year to US$8 million as at the reporting date. The reduction was principally achieved through deployment of internally generated cashflows and certain financing facilities that were availed by the Company's key shareholders during the period under review.

In response to reduction in debt, the total finance cost from borrowing for period under review of US$0.63 million, represents reduction of 70% relative to the US$2.1 million incurred over the same period in prior year.

As already announced to the market, the Company embarked on the following corporate transactions whose outcome is targeted at achieving further material debt reduction in the current financial year:

a. the Rights Offer; and
b. Specific Issue of shares for cash.

The two corporate transactions are further reported in detail below.

Profitability
The Group recorded profit for the period of US$5.3 million during the period under review, compared to US$7.3 million recorded in the interim period ended 30 June 2018. Notably, the prior year profitability included once-off profits of US$6.1 million recorded from the Group's exit of its financial services sector investment. Therefore, on a like for like basis, the current year performance reflects growth in profitability.

Decreases in operating expenses and reduction in the finance costs, notwithstanding reduction in revenues, overally spurred a comparatively stronger current year interim performance.

IMPACT OF NEW AND EFFECTIVE FINANCIAL REPORTING STANDARDS

Of the new financial reporting standards that became effective during the period under review, International Financial Reporting Standard ("IFRS") 16, - Leases, is the one that had a material impact on the Group's financial statements. A detailed background to IFRS 16 is disclosed in note 4.

The adoption of the standard resulted in recognition of material right of use assets and lease liabilities given the fact that the Group leases certain hotel properties from third parties. As at the reporting date, the Group had recognised right-of-use assets and lease liabilities of US$3.5 million and US$3.6 million respectively. Refer to note 4 for further quantitative and qualitative disclosures relating to adoption of IFRS 16.

INDEPENDENT AUDITORS' REVIEW CONCLUSION ON THE INTERIM FINANCIAL STATEMENTS

The Company's independent auditors were engaged to review the interim financial statements with a view to ascertain whether the interim financial statements were prepared in all material respects in accordance with International Financial Reporting Standards.

As disclosed in note 3, the Company's independent auditors have expressed an adverse conclusion as a result of non-compliance with IAS 21.

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

a. Until 22 February 2019, Zimbabwe operated in an official multi-currency regime were the US$ and the ZWL were officially at par from an exchange rate perspective. As a result, for the first two months of 2019, transactions by the Company's subsidiaries in Zimbabwe were accounted for on the basis of an official parity position between the US$ and the ZWL.

   However, following the official establishment of official foreign exchange rates between the ZWL and other international currencies on 22 February 2019, foreign currency denominated transactions were translated to Zimbabwe's functional currency on the basis of the relevant exchange rates between the ZWL and the international currencies, with effect from 1 March 2019.

b. Adverse audit opinion was issued on the annual financial statements for the year ended 31 December 2018. This effectively impacted the comparatives contained in the current financial statements. The basis for adverse audit opinion and explanatory notes were included in the prior year financial statements.

The Directors acknowledge the need to ensure that the financial statements return to full compliance with International Financial Reporting Standards and in particular IAS 21, as soon as possible. The journey has already started with translation of the underlying Zimbabwe based subsidiaries' interim financial information to the US$ on the basis of officially recognizable exchange rates between the ZWL and other currencies.

KEY CORPORATE TRANSACTIONS

a. Specific issue of shares for cash

In March 2019, the Company borrowed US$1.49 million from some of its shareholders as part of its debt restructuring efforts. These loans, and interest thereon would subject to shareholders' approval, be settled through issue of shares ("the Settlement") by the Company. Similarly, loans entered into in 2017 and 2018 with certain related parties as well amounting to US$3.3 million as at 30 June 2019 would also be settled through issue of shares to the related parties. Given the fact that the contemplated transactions involve related parties as defined by the JSE Listing Requirements, the Company has already issued a circular to its shareholders for them to consider approving the Settlement. The Settlement is anticipated to be effected on or about 1 November 2019.

Should the shareholders approve the Settlement, debt amounting to US$4.6 million as at the reporting date would be settled.

This transaction, as announced to the market on 6 September 2019, could result in the issue of up to 12.5 million ordinary shares.

b. Rights Offer

On 27 August 2019, Brainworks Limited advised that it intended to raise up to ZAR85 799 981 by way of a renounceable rights offer on 13 199 997 ordinary shares.

The Rights Offer closed on 20 September 2019 and results thereof were announced to the market on 23 of September 2019. 9 427 476, representing 71.42% of the rights that were on offer were taken up by shareholders, raising equity capital of ZAR61.3 million.

The proceeds from the Rights Offer would be deployed towards further debt reduction, targeting specific debt of about US$3 million and the balance retained for working capital financing.

OUTLOOK

The Government of Zimbabwe is expected to continue implementing various measures enunciated in the TSP document, with a view to stabilizing key fundamentals of the economy which include inflation, exchange rate and foreign currency supply among others. In the short to medium term, the economy is expected to continue facing the currently inseparable hurdles of foreign currency supply constraints and inflation. The government's efforts in further engaging the international community is visibly continuing.
The second half of the year represents the peak business season of the Hospitality segment. Given the first half performance already recorded, the peak season is expected further drive strong performance for the current year.

The Group is currently in the home stretch of its significant debt clearance transactions, with these expected to have been concluded by the end of the year. Subject to all the shareholder approvals having been secured, the Company anticipates having cleared its debt by the end of the current year. The Company records the outstanding support it has received from its shareholders thus far, on an initiative embarked on at the beginning of 2017.

Although the current Zimbabwean economic environment is facing significant challenges, the Group is alive to the need to further improve its hotel product and service offering, in order to address both current and future client expectations. In that regard, the Company's subsidiary, African Sun Limited, anticipates spending US$14 million in hotel improvements substantially in the current financial year, targeting mainly the soft furnishes. In addition, in order to increase the Group's footprint in the major tourist destinations in Zimbabwe, the Group continues to look for viable investment opportunities, targeting green fields for future hotel developments and partnerships with other investors that hold key hospitality assets in such destinations.

FOR AND ON BEHALF OF THE BOARD

SIMON. F VILLAGE
CHAIRMAN

Independent Auditor's Review Report on the Condensed Consolidated Interim Financial Statements

To the shareholders of Brainworks Limited

Introduction

We have reviewed the condensed consolidated interim financial statements of Brainworks Limited in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 June 2019 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting,* the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements ("ISRE") 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE 2410"). ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

PricewaterhouseCoopers, Building No. 4, Arundel Office Park, Norfolk Road, Mount Pleasant, P O Box 453, Harare, Zimbabwe
T: +263 (242) 338362-8, F: +263 (242) 338395, www.pwc.com

T I Rwodzi – Senior Partner
The Partnership's principal place of business is at Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe where a list of the Partners' names is available for inspection.

Independent Auditor's Review Report on the Condensed Consolidated Interim Financial Statements (continued)

Basis for adverse conclusion

Under International Accounting Standard 34, *Interim Financial Reporting,* Brainworks Limited should apply International Accounting Standard 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21") in the preparation of its condensed consolidated interim financial statements for the six months to 30 June 2019. The directors have not prepared the accompanying condensed consolidated interim financial statements using accounting policies consistent with IAS 21. The Zimbabwe-based subsidiaries transacted using a combination of Nostro FCAs, RTGS FCA, and bond notes and coins until 22 February 2019. In terms of IAS 21 these payment methods would have been considered to be separate currencies to be translated to the functional currency of Brainworks Limited at an appropriate exchange rate. However, due to monetary policy regulations, the condensed consolidated interim financial statements reflect these transactions at parity. Had the condensed consolidated interim financial statements been prepared in accordance with the requirements of IAS 21, many elements in the accompanying condensed consolidated interim financial statements would have been materially restated. It was not practicable to quantify the financial effects on the condensed consolidated interim financial statements.

Adverse conclusion

Our review indicates that because of the significance of the effect on the condensed consolidated interim financial statements of the matter described in the preceding paragraph, the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting.*

Pricewaterhousecoopers

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

30 September 2019
Harare, Zimbabwe

CONDENSED REVIEWED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	NOTES	REVIEWED 30 June 2019 US$	UNAUDITED 30 June 2018 US$	AUDITED 31 December 2018 US$
ASSETS				
Property and equipment		87 379 199	88 251 309	88 954 165
Right of use asset	4.2.1	3 518 459	-	-
Investment property		22 984 001	21 876 764	23 551 754
Goodwill		8 261 050	8 261 050	8 261 050
Deferred tax assets		498 024	728 068	1 801 099
Other non-current assets		357 384	424 714	2 913 769
		122 998 117	**119 541 905**	**125 481 837**
Current assets				
Financial assets held at fair value through profit or loss	10	-	1 207 860	-
Inventories		1 020 330	7 800 178	5 362 465
Trade and other receivables		4 313 506	12 968 824	8 017 065
Cash and cash equivalents		9 628 481	8 986 825	16 362 679
		14 962 317	**30 963 687**	**29 742 209**
TOTAL ASSETS		**137 960 434**	**150 505 592**	**155 224 046**
EQUITY AND LIABILITIES				
Equity				
Stated capital		63 088 923	58 535 508	63 088 923
Other reserves		2 299 264	(952 394)	(965 730)
Retained earnings		3 943 178	1 702 164	944 462
		69 331 365	**59 285 278**	**63 067 655**
Non controlling interests		39 768 277	35 082 830	38 677 028
Total equity		**109 099 642**	**94 368 108**	**101 744 683**
Non-current liabilities				
Borrowings		52 057	6 446 362	4 174 081
Deferred tax liabilities		5 877 417	8 205 902	9 737 274
Lease liabilities	4.2.1	3 466 242	-	-
Trade payables		-	1 153 464	296 406
		9 395 716	**15 805 728**	**14 207 761**
Current liabilities				
Borrowings		8 001 081	18 035 313	12 892 525
Lease liabilities	4.2.1	96 616	-	-
Trade and other payables		10 335 860	22 252 329	25 808 374
Income tax		1 031 519	44 114	570 703
		19 465 076	**40 331 756**	**39 271 602**
TOTAL LIABILITIES		**28 860 792**	**56 137 484**	**53 479 363**
TOTAL EQUITY AND LIABILITIES		**137 960 434**	**150 505 592**	**155 224 046**

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

CONDENSED REVIEWED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	REVIEWED 6 months ended 30 June 2019 US$	UNAUDITED 6 months ended 30 June 2018 US$	AUDITED Year ended 31 December 2018 US$
Revenue	6	21 477 505	31 044 251	79 296 722
Cost of sales and other direct costs	6	(3 819 993)	(9 602 175)	(25 599 671)
Gross profit		**17 657 512**	**21 442 076**	**53 697 051**
Gain from financial assets at fair value through profit or loss		-	979 561	979 561
Fair value gain on remeasurement of investment in associate	9.1	-	4 082 299	4 082 299
Reversal of impairment losses on financial assets		-	-	129 988
Profit from disposal of associate	9.2	-	3 005 626	3 005 626
Loss from disposal of subsidiary	12.1	-	(947 341)	(947 341)
Other income		2 188 310	1 220 034	4 778 412
Operating expenses	6	(10 259 507)	(19 985 223)	(47 898 694)
		(8 071 197)	**(11 645 044)**	**(35 870 149)**
Operating profit before finance cost		**9 586 315**	**9 797 032**	**17 826 902**
Net finance expenses	**6**	**(875 389)**	**(2 099 406)**	**(3 157 497)**
Finance income		28 148	44 089	114 503
Finance expense	7	(903 537)	(2 143 495)	(3 272 000)
Share profit of associates	9.1	-	512 289	512 289
Profit before income tax		**8 710 926**	**8 209 915**	**15 181 694**
Income tax expense		(3 424 295)	(905 780)	(4 767 245)
Profit for the period		**5 286 631**	**7 304 135**	**10 414 449**
Other comprehensive income				
Exchange differences on translation of foreign operations		(14 111 454)	(62 896)	(86 031)
Revaluation gain from property and equipment		17 140 311	-	-
		3 028 857	**(62 896)**	**(86 031)**
Total comprehensive income for the period		**8 315 488**	**7 241 239**	**10 328 418**
Profit attributable to:				
Owners of the parent		2 998 716	5 674 352	4 951 126
Non-controlling interests		2 287 915	1 629 783	5 463 323
		5 286 631	**7 304 135**	**10 414 449**
Total comprehensive income attributable to:				
Owners of the parent		6 263 710	5 638 099	4 901 537
Non-controlling interests		2 051 778	1 603 140	5 426 881
		8 315 488	**7 241 239**	**10 328 418**
Earnings/(loss) per share (cents)				
Basic	8.1	3.39	7.41	6.18
Diluted	8.2	3.28	7.41	6.18
Headline	8.3	4.18	(0.63)	(3.14)
Number of shares in issue	8.6	88 531 196	78 531 195	88 531 196

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

CONDENSED REVIEWED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		ATTRIBUTABLE TO OWNERS OF THE COMPANY					
	Note	Stated capital US$	Other reserves US$	Retained earnings/ (accumulated losses) US$	Total US$	Non-controlling interests US$	Total US$
SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)							
Balance as at 1 January 2018 (as previously stated)		**55 785 508**	**(916 141)**	**(3 394 300)**	**51 475 067**	**34 151 255**	**85 626 322**
Restatement as a result of adoption of IFRS 9		-	-	(442 888)	**(442 888)**	(325 481)	**(768 369)**
		55 785 508	**(916 141)**	**(3 837 188)**	**51 032 179**	**33 825 774**	**84 857 953**
Total comprehensive income:							
Profit for the period		-	-	5 674 352	**5 674 352**	1 629 783	**7 304 135**
Other comprehensive income		-	(36 253)	-	**(36 253)**	(26 643)	**(62 896)**
		-	**(36 253)**	**5 674 352**	**5 638 099**	**1 603 140**	**7 241 239**
Transactions with owners in their capacity as owners:							
Dividends paid to non-controlling interests		-	-	-	**-**	(346 084)	**(346 084)**
Derecognition of treasury shares	8.6.3	2 750 000	-	(135 000)	**2 615 000**	-	**2 615 000**
		2 750 000	**-**	**(135 000)**	**2 615 000**	**(346 084)**	**2 268 916**
Balance as at 30 June 2018		**58 535 508**	**(952 394)**	**1 702 164**	**59 285 278**	**35 082 830**	**94 368 108**
YEAR ENDED 31 DECEMBER 2018 (AUDITED)							
Balance as at 1 January 2018 (as previously stated)		**55 785 508**	**(916 141)**	**(3 394 300)**	**51 475 067**	**34 151 255**	**85 626 322**
Restatement as a result of adoption of IFRS 9		-	-	(477 364)	**(477 364)**	(342 582)	**(819 946)**
		55 785 508	**(916 141)**	**(3 871 664)**	**50 997 703**	**33 808 673**	**84 806 376**
Total comprehensive income:							
Profit for the year		-	-	4 951 126	**4 951 126**	5 463 323	**10 414 449**
Other comprehensive income		-	(49 589)	-	**(49 589)**	(36 442)	**(86 031)**
Total comprehensive income for the year		**-**	**(49 589)**	**4 951 126**	**4 901 537**	**5 426 881**	**10 328 418**
Transactions with owners in their capacity as owners:							
Issue of shares for cash	8.6.1	4 553 415	-	-	**4 553 415**	-	**4 553 415**
Derecognition of treasury shares	8.6.3	2 750 000	-	(135 000)	**2 615 000**	-	**2 615 000**
Dividends declared and paid to non-controlling interests		-	-	-	**-**	(558 526)	**(558 526)**
		7 303 415	**-**	**(135 000)**	**7 168 415**	**(558 526)**	**6 609 889**
Balance as at 31 December 2018		**63 088 923**	**(965 730)**	**944 462**	**63 067 655**	**38 677 028**	**101 744 683**
SIX MONTHS ENDED 30 JUNE 2019 (REVIEWED)							
Balance as at 1 January 2019		**63 088 923**	**(965 730)**	**944 462**	**63 067 655**	**38 677 028**	**101 744 683**
Total comprehensive income:							
Profit for the period		-	-	2 998 716	**2 998 716**	2 287 915	**5 286 631**
Other comprehensive income for the period							
Revaluation surplus (net of tax)		-	10 470 224	-	**10 470 224**	6 670 087	**17 140 311**
Losses on translation of foreign operations		-	(7 205 230)	-	**(7 205 230)**	(6 906 225)	**(14 111 455)**
		-	**3 264 994**	**-**	**3 264 994**	**(236 138)**	**3 028 856**
Total comprehensive income for the period		**63 088 923**	**2 299 264**	**3 943 178**	**69 331 365**	**40 728 805**	**110 060 170**
Transactions with owners in their capacity as owners:							
Dividends declared and paid to non-controlling interests		-	-	-	**-**	(960 528)	**(960 528)**
Balance as at 30 June 2019		**63 088 923**	**2 299 264**	**3 943 178**	**69 331 365**	**39 768 277**	**109 099 642**

CONDENSED REVIEWED CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	REVIEWED 6 months ended 30 June 2019 US$	UNAUDITED 6 month ended 30 June 2018 US$	AUDITED Year ended 31 December 2018 US$
Operating cashflows before working capital changes		**10 315 167**	**5 420 300**	**18 866 231**
Working capital changes				
Decrease/(increase) in inventory		4 342 135	(648 476)	1 789 237
Decrease/(increase) in trade and other recievables		3 703 559	(2 092 626)	(2 213 016)
(Decrease)/increase in trade and other payables		(11 554 215)	2 884 309	1 509 584
Cash generated from operations		**6 806 646**	**5 563 507**	**19 952 036**
Interest received		-	44 089	114 503
Interest paid - borrowings		(425 857)	(1 583 438)	(4 439 338)
Interest paid - lease liabilities		(267 184)	-	-
Dividends received		-	61 375	149 836
Dividends declared and paid to non-controlling interests		(960 528)	(346 084)	(558 526)
Income tax paid		(1 101 242)	(1 623 606)	(2 708 238)
Net cash generated from operating activities		**4 051 835**	**2 115 843**	**12 510 273**
Cash flows from investing activities				
Purchase of equipment		(2 025 002)	(2 371 212)	(6 254 407)
Capital expenditure on investment property		(13 885)	-	(45 942)
Acquisition of investment property			-	(887 232)
Proceeds from disposal of subsidiary	12.1	-	-	1 883 847
Cash and cash equivalents transferred on disposal of subsidiary	12.2	-	(482 511)	(482 511)
Acquisition of financial assets at fair value through profit or loss		-	-	-
Proceeds from disposal of treasury shares	8.6.3	-	1 006 557	1 006 557
Proceeds from disposal of financial assets at fair value through profit or loss		-	2 641 497	2 616 551
Proceeds from disposal of property and equipment		46 553	565 262	2 260 240
Proceeds from disposal of investment property		-	-	200 000
Net cash (used in)/generated from investing activities		**(1 992 334)**	**1 359 593**	**297 103**
Cash flows from financing activities				
Proceeds from borrowings		1 275 000	88 296	208 416
Repayment of lease liabilities		(78 139)		
Repayment of borrowings		(2 593 893)	(5 097 562)	(11 716 705)
Proceeds from issue of ordinary shares		-	-	4 553 415
Net cash (used in)/generated generated from financing activities		**(1 397 032)**	**(5 009 266)**	**(6 954 874)**
Net increase/(decrease) in cash and cash equivalents		**662 469**	**(1 533 830)**	**5 852 502**
Exchange losses on cash and cash equivalents		(7 396 667)	(23 664)	(34 142)
Cash and cash equivalents at beginning of the period		16 362 679	10 544 319	10 544 319
Cash and cash equivalents at end of the period		**9 628 481**	**8 986 825**	**16 362 679**

1 GENERAL INFORMATION

Brainworks Limited ("Brainworks" or "the Company") and its subsidiaries (together "the Group") has a diversified portfolio of business interests in hospitality, real estate, and energy logistics sectors in Zimbabwe.

The Company is domiciled in the Republic of Mauritius and has its registered office at c/o Adansonia Management Services Limited, Suite 1 Perrieri Office Suites, C2-302, Level 3, Office Block C, La Croisette, Grand Baie, 30517, Republic of Mauritius.

The Company is the holder of a Category 1 Global License under the Mauritius Companies Act 2001 and the Financial Services Act 2007, and is listed on the Johannesburg Stock Exchange.

2 BASIS OF PREPARATION

The condensed reviewed consolidated interim financial statements ("the interim financial statements") for the period ended 30 June 2019 have been prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("the IASB"), the preparation and disclosure requirements of IAS 34 - Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council ("FRSC").

These interim financial statements have not been audited but were reviewed by the Company's JSE accredited auditors.

The Chief Finance Officer, Peter Saungweme CA(Z), supervised the preparation of the interim financial statements. The accounting policies applied in the preparation of the interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements as at 31 December 2018 other than as described in note 4.

The interim financial statements do not contain all the notes of the type normally included in the consolidated annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2018, which were prepared in accordance with IFRS, except for non-compliance with IAS 21.

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

3 AUDITORS' REVIEW CONCLUSION

The Company's auditors have expressed an adverse review conclusion on these interim financial statements as a result of non-compliance with IAS 21.

The signed review conclusion is available for inspection at the Company's registered office.

4 ACCOUNTING POLICIES

The accounting policies adopted are prepared in accordance with IFRS, except for non-compliance with IAS 21 and are consistent with those adopted in the preparation of the financial information for all the prior periods presented, except as disclosed in note 4. Taxes on income in the interim period are measured using the tax rate that is expected to be applicable to the full year profit or loss.

4 ACCOUNTING POLICIES (CONTINUED)

4.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 'Leases'.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 4 below. The other standards and/or amendment that became effective during the period under review did not have a material impact on financial statements of the Group.

4.2 Impact of adoption of IFRS 16 - changes in accounting policy

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

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

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

4.2.1 Adjustments recognised on adoption of IFRS 16

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

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

	REVIEWED 6 months ended 30 June 2019 US$
Operating lease commitments as at 31 December 2018	**22,300,136**
Discounted using the lessee's incremental borrowing rate of 10.5% at the date of initial application	12,101,267
Adjustments as a result of different treatment of extension and termination options	6,249,049
Lease liability recognised as at 1 January 2019	**18,350,316**

4 ACCOUNTING POLICIES (CONTINUED)

4.2.1 Adjustments recognised on adoption of IFRS 16 (continued)

	REVIEWED 30 June 2019 US$
Lease liabilities recognised in the statement of financial position as at 30 June 2019	
Analysed as follows	
Current liabilities	96,616
Non-current liabilities	3,466,242
	3,562,858

All the lease liabilities arise from lease contracts in Zimbabwe.

As at 1 January 2019, the official exchange rate between the Zimbabwe dollar ("ZWL") and the US$ was 1:1. However, the spot exchange rate as at 30 June 2019 which has been used to translate the ZWL denominated lease liabilities was 1US$:8.57ZWL. The change in the spot rates between 1 January 2019 and 30 June 2019 largely accounts for the signficant difference in the lease liabilities recognised at each of these dates.

Right of use assets recognised in the statement of financial position as at 30 June 2019

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

	REVIEWED 30 June 2019 US$	UNAUDITED 1 January 2019 US$
Hotel buildings	3,097,475	14,982,161
Office buildings	73,245	300,138
Staff houses	308,107	2,689,510
Land	39,632	378,507
Total right of use assets	**3,518,459**	**18,350,316**

The net impact on accumulated losses on 1 January 2019 was nil as the amount of lease liabilities recognised was equal to the right of use assets recognised. As at 30 June 2019, both the Lease liabilities and Rights of Use assets had recorded significant decreases relative to their respective balances at 1 January 2019 as a result of exchange rate movements between the US$ and the ZWL between the two dates.

On 1 January 2019, the ZWL and the US$ exchange rate was 1:1. However, as at 30 June 2019, the ZWL had weakened to 1US$:8.57ZWL.

	REVIEWED 6 months ended 30 June 2019 US$
4.2.2 Amounts recognised in profit or loss	
Depreciation charge of right-of-use assets (included in depreciation expense)	
Hotel buildings	84,605
Office buildings	10,408
Staff houses	11,906
	106,919
Interest expenses (included in finance costs)	268,294
Short term lease expenses (included in operating expenses)	23,283
	398,496

4 ACCOUNTING POLICIES (CONTINUED)

4.2.3 Practical expedients applied

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

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

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

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

The Group leases various hotel properties, offices and land. Rental contracts are typically made for fixed periods of 1 to 50 years, with longer term leases being typically for hotel properties. The leases generally have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

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

4. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Estimation uncertainty arising from variable lease payments

Some hotel buildings leases contain variable payment terms that are linked to revenue generated from the hotels. For individual hotels, up to 100 per cent of lease payments are on the basis of variable payment terms and there is a wide range of revenue percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed operating costs in response to business cycles. Variable lease payments that depend on revenue are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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

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

The impact of change in accounting policy as at 30 June 2019 is as follows:

	SEGMENT			
	Hospitality US$	**Real estate US$**	**Other US$**	**Total US$**
Increase in carrying amount of property and equipment	20 884 678	318 801	1 574 457	**22 777 936**
Increase in deferred tax liabilities	(5 150 111)	(82 091)	(405 423)	**(5 637 625)**
Increase in equity	**15 734 567**	**236 710**	**1 169 034**	**17 140 311**

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

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 expected credit losses model of impairing trade receivables:

- Significant increase of credit risk - in assessing whether the credit risk of an asset has significantly increased the directors considers qualitative and quantitative reasonable and supportable forward-looking information.
- 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.
- Business model assessment - the Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of assets and the how these are managed.

c) Valuation of investment property and property and equipment by subsidiaries in Zimbabwe

The investment property, and property and equipment was valued as at 30 June 2019 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, International Valuations Standards Committee ("IVSC") and the Real Estate Institute of Zimbabwe ("REIZ") Standards. For investment property, the valuation basis is a market comparison method for land and cost approach for buildings, both valuation basis conform to international valuation standards. For property and equipment, residential properties were valued using the market comparison method and all other items of property and equipment were valued using the cost approach that reflects the cost to a market participant to acquire assets of comparable utility and age.

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 in IAS 40 - *Investment property.* The valuer holds recognised and relevant professional qualifications and has recent experience in the relevant locations and categories of properties being valued.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.1 Key estimates (continued)

c) Valuation of investment property by subsidiaries in Zimbabwe (continued)

Valuation techniques underlying management's estimation of fair value

The property valuer considered comparable market evidence of recent sale transactions and those transactions where firm offers had been made but awaiting acceptance for property and equipment. Land is valued using the sales comparison method. Fair value is based on prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). In addition, the property market is currently not stable due to liquidity constraints and changes in the functional currency hence comparable values are also not readily available. Furthermore, the multi-currency regime was discontinued on 24 June 2019 through Statutory Instrument 142 ("SI142") of 2019, only six days before the period end on 30 June 2019 and as such there had not been many Zimbabwe dollar ("ZWL") property sale transactions in that period and the property valuer had to benchmark the investment property and property and equipment values in US$ at the valuation date and then apply an exchange rate as at the same date to determine a ZWL value.

Statutory Instrument 142 of 2019 introduced the ZWL as the sole legal tender effective 24 June 2019. This was a follow up measure to the Monetary Policy Statement ("MPS") of 22 February 2019, which added the RTGS dollar to the then basket of currencies. The MPS established an Inter-Bank Foreign Exchange market which continues to function. These events have created complex valuation challenges, at least for the short term. Valuations rely on historical market evidence for calculation inputs. This includes transaction prices for comparable properties, rentals and capitalisation rates. Such market evidence does not exist at present to calculate RTGS dollar values. therefore, the adopted approach for the meanwhile is of completing valuations in US$ and then converting the same at the Inter-Bank Foreign Exchange Auction Rate of the day to come up with ZWL property values. This approach, however, presents a multitude of risks to the users of the valuation reports. These are detailed as follows:

- Overstating values - The key inputs for the valuation of non-residential investment property are the rent income and the capitalisation rate. No trends for ZWL rents have yet been established neither is there easily verifiable market evidence of ZWL transactions to enable analysis of the yields. It is unlikely that ZWL rent movements will mirror the activity on the inter-bank foreign exchange market. In addition, the property market will price the risk associated with the ZWL, which is not a fully convertible currency, and this will be reflected through the capitalisation rates.

- Ignoring market dynamics - applying a conversion rate to US$ property values to arrive at ZWL property values is not an accurate reflection of market dynamics. Risks associated with currency trading do not reflect the risks associated with property trading. The two markets perceive and price their respective risks quite differently. It is, therefore, unlikely that property values will strictly track the movement in the Inter-Bank Foreign Exchange Rate. Therefore, a direct conversion of the US$ property values likely overstates the ZWL property values.

- Property sub-sectors will respond differently to the new currency - To use a single conversion rate for different property sub-sectors does not recognise the fact that each will respond differently to the currency change. Non-residential property is likely to lag behind the economic cycle quite considerably. Whereas residential property which is more sentiment driven, is likely to respond positively quicker. The two markets perceive and price their respective risks quite differently. It is, therefore, unlikely that property values will strictly track the movement in the inter-bank foreign exchange rate.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 reporting date. As at 30 June 2019, the Directors assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these interim 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 30 June 2019 are discussed under note 17.

(b) Tax liabilities
As disclosed in note 16, the Group is defending material tax claims from the Zimbabwe Revenue Authority. On the basis of tax advice the Group received from independent tax and legal counsel, the Directors recognised a certain provision for one of the claims in the prior year, and considered the remainder to be contingent.

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 Executive Committee comprises the Chief Executive Officer, Chief Finance Officer, and Group Head of Legal Counsel.

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

Revenue

The Group does not rely on any one specific customer as none of its customers contribute a minimum of 10% of its 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	2019	2018	Principal activities
African Sun Limited	Hospitality	√	√	Hotel and hospitality operations
Dawn Properties Limited	Real estate	√	√	Property holding, development and consulting
GetSure Life Assurance (Private) Limited	Financial services	**	√	Life assurance products and services
FML Logistics (Private) Limited	Other	√	√	Fuel transportation services
Brainworks Capital Management (Private) Limited	Other	√	√	Investment holding company in Zimbabwe
Brainworks Limited	Other	√	√	Ultimate parent company in Mauritius

√ - denotes that the respective entity was part of the Group during the relevant year.

6 SEGMENT INFORMATION (CONTINUED)

	REVIEWED				
	Hospitality US$	**Real estate US$**	**Other US$**	**Eliminations US$**	**Group US$**
Six months ended 30 June 2019					
Revenue					
- external customers	19,684,317	483,843	1,309,345	-	**21,477,505**
- internal customers	-	971,252	-	(971,252)	**-**
	19,684,317	**1,455,095**	**1,309,345**	**(971,252)**	21,477,505
Cost of sales and other related costs	(3,554,551)	-	(265,442)	-	**(3,819,993)**
Gross profit	**16,129,766**	**1,455,095**	**1,043,903**	**(971,252)**	17,657,512
Operating expenses	(9,102,988)	(675,166)	(1,088,170)	606,817	**(10,259,507)**
Operating profit/(loss) before finance costs	8,905,633	93,216	1,709,931	(1,122,463)	**9,586,317**
Net finance (costs)/income	(301,432)	(12,438)	(584,104)	22,585	**(875,389)**
Profit before income tax	**8,604,201**	**80,778**	**1,125,827**	**(1,099,878)**	8,710,928
Total assets as at 30 June 2019	**40,723,414**	**91,728,556**	**82,299,549**	**(76,791,085)**	137,960,434
Total assets include:					
Property and equipment	40,723,413	91,728,556	82,299,549	(76,839,176)	**137,912,342**
Goodwill	8,261,050	-	-	-	**8,261,050**
	48,984,463	**91,728,556**	**82,299,549**	**(76,839,176)**	146,173,392
Total liabilities as at 30 June 2019	**18,465,071**	**930,804**	**23,223,825**	**(13,349,366)**	29,270,334

	UNAUDITED					
	Hospitality US$	**Real estate US$**	**Financial services US$**	**Other US$**	**Eliminations US$**	**Group US$**
Six months ended 30 June 2018						
Revenue						
- external customers	27,041,297	1,564,951	1,154,826	1,283,177	-	**31,044,251**
- internal customers	-	1,518,535	-		(1,518,535)	**-**
	27,041,297	**3,083,486**	**1,154,826**	**1,283,177**	**(1,518,535)**	31,044,251
Cost of sales and other related costs	(8,202,848)	-	(752,159)	-	(647,168)	**(9,602,175)**
Gross profit	**18,838,449**	**3,083,486**	**402,667**	**1,283,177**	**(647,168)**	21,442,076
Operating expenses	(16,474,665)	(1,626,098)	(655,633)	(2,382,926)	1,154,099	**(19,985,223)**
Share of profit of associates	-	-	302,654	209,635	-	**512,289**
Operating (loss)/profit before finance costs	4,229,398	1,540,328	3,724,928	1,773,668	(1,471,290)	**9,797,032**
Net finance (costs)/income	(319,793)	(128,191)	59,135	(1,782,179)	71,622	**(2,099,406)**
Profit/(loss) before tax	**3,909,605**	**1,412,137**	**3,784,063**	**(8,511)**	**(887,379)**	8,209,915
Total assets as at 30 June 2018	**38,515,034**	**100,082,392**	**-**	**72,938,231**	**(61,030,065)**	150,505,592
Total assets include:						
Property and equipment	20,886,916	886,968	200,058	3,964,140	62,313,227	**88,251,309**
Goodwill	8,261,050	-	-	-	-	**8,261,050**
	29,147,966	**886,968**	**200,058**	**3,964,140**	**62,313,227**	96,512,359
Total liabilities as at 30 June 2018	**25,670,143**	**10,811,016**	**1,428,694**	**40,594,705**	**(22,367,074)**	56,137,484

6 SEGMENT INFORMATION (CONTINUED)

	AUDITED					
	Hospitality US$	Real estate US$	Financial services US$	Other US$	Eliminations US$	Group US$
Year ended 31 December 2018						
Revenue						
- external customers	68,499,411	7,100,807	1,142,654	2,804,424	(250,574)	**79,296,722**
- internal customers	-	3,994,351	-	-	(3,994,351)	**-**
	68,499,411	**11,095,158**	**1,142,654**	**2,804,424**	**(4,244,925)**	**79,296,722**
Cost of sales and other related costs	(19,141,018)	(4,180,075)	(861,071)	(1,417,507)	-	**(25,599,671)**
Gross profit	**49,358,393**	**6,915,083**	**281,583**	**1,386,917**	**(4,244,925)**	**53,697,051**
Operating expenses	(37,775,129)	(4,204,104)	(655,633)	(8,529,310)	3,265,482	**(47,898,694)**
Operating profit(loss) before finance costs	14,186,926	4,889,957	3,422,276	(691,003)	(3,981,254)	**17,826,902**
Share of profit of associates	-	-	302,654	209,635	-	**512,289**
Net finance costs/(income)	(587,655)	(257,678)	59,135	(2,559,372)	188,073	**(3,157,497)**
Profit/(loss) before income tax	**13,599,271**	**4,632,279**	**3,784,065**	**(3,040,741)**	**(3,793,180)**	**15,181,694**
Total assets as at 31 December 2018	**48,378,718**	**100,574,106**	**-**	**71,062,278**	**(64,791,056)**	**155,224,046**
Total assets include:						
Property and equipment	24,131,483	63,387,105	-	2,545,696	(1,110,119)	**88,954,165**
Goodwill	8,261,050	-	-	-	-	**8,261,050**
	32,392,533	**63,387,105**	**-**	**2,545,696**	**(1,110,119)**	**97,215,215**
Total liabilities	**28,689,696**	**9,771,506**	**-**	**32,440,169**	**(17,422,008)**	**53,479,363**

	REVIEWED 6 months ended 30 June 2019 US$	UNAUDITED 6 months ended 30 June 2018 US$	AUDITED Year ended 31 December 2018 US$
7 FINANCE EXPENSES			
From borrowings	635 243	2 143 495	3 272 000
From lease liabilities	268 294	-	-
	903 537	**2 143 495**	**3 272 000**

8 EARNINGS PER SHARE

		REVIEWED 6 months ended 30 June 2019 US$	UNAUDITED 6 months ended 30 June 2018 US$	AUDITED Year ended 31 December 2018 US$
8.1	Basic earnings per share	3.39	7.41	6.18
8.2	Diluted earnings per share (cents)	3.28	7.41	6.18
8.3	Headline earnings/(loss) per share	4.18	(0.63)	(3.14)
8.4	Diluted headline earnings/(loss) per share	4.05	(0.63)	(3.14)
8.5	**Reconciliation of earnings used in calculating earnings per share**			
	Profit attributable to owners of parent	2 998 716	5 674 352	4 951 126
	Adjusted to headline earnings as follows:			
	Loss from disposal of subsidiary	-	947 341	947 341
	Loss from disposal of investment property	-	-	5 000
	Fair value gain on reclassification of investment in associate to financial assets held at fair value through profit or loss (note 9.1)	-	(4 082 299)	(4 082 299)
	Profit from disposal of investment in associate (note 9.2)	-	(3 005 626)	(3 005 626)
	Fair value loss on investment property	686 713	-	(949 580)
	Profit from disposal of property and equipment	-	(162 931)	(890 860)
	Impairment of property and equipment	14 469	48 615	-
	Tax effect of headline earnings adjustments	-	40 823	244 517
	Total non-controlling effect of adjustments	-	54 077	267 324
	Headline earnings/(losses) attributable to owners of parent	**3 699 898**	**(485 648)**	**(2 513 057)**
8.6	**Weighted average number of shares in issue**			
	Shares at the beginning of the period	88 531 196	75 625 640	75 625 640
	Issue of shares for cash (note 8.6.1)	-	-	2 500 000
	Derecognition of treasury shares (note 8.6.3)	-	968, 18	1 937 037
	Shares at the end of the period	**88 531 196**	**76 594 158**	**80 062 677**
	Weighted average number of shares for basic earnings per share	88 531 196	76 594 158	80 062 677
	Weighted average number of shares for diluted earnings per share (note 8.6.4)	91 304 740	76 594 158	80 062 677
	Number of shares in issue	88 531 196	78 531 195	88 531 196

8.6.1 Issue of shares for cash

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

8.6.2 Treasury shares (currently held)

The treasury shares relates to 7 775 000 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").

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.

8 EARNINGS PER SHARE (CONTINUED)

8.6.2 Treasury shares (currently held) (continued)

At the time of the Group re-organisation, BCM had 7 775 000 of its own ordinary shares held as treasury shares, which shares were given up to Brainworks Limited. As consideration, BCM was issued with 7 775 000 ordinary shares in Brainworks Limited, which shares BCM holds through the nominee.

8.6.3 Treasury shares (previously held)

BCM previously had 2 905 555 treasury shares which were disposed of to parties outside the Group for US$2 615 000 in March 2018, resulting in the recognition of a loss of US$135 000, which was recognized directly in equity. US$1 006 557 of the total proceeds were received in cash, whilst the balance was used to settle a loan that was held by FML Logistics (Private) Limited. The 2 905 555 shares were derecognised as treasury shares in the prior year.

8.6.4 Weighted average number of shares used for diluted earnings per share

During the period ended 30 June 2019, the Company accessed three loans, which including interest amounted to US$1 293 139 as at 30 June 2019. Two of the loans, amounting to US$570 058 give the lenders an option to demand settlement thereof through issue of shares by the Company at an issue price of R6.50 per share, whilst the third loan with a balance of US$723 081 gives the Company at its sole discretion, the option to settle through issue of its own shares at an issue price of R6.50 per share was well.

The loans discussed above involve related parties as defined by the JSE Listing Requirements. As a result, issue of the shares to the related parties would require shareholders approval. As at the reporting date, the process to secure shareholder approvals was underway.

Assuming shares were to be issued as at 30 June 2019 to settle these loans, the Company would have needed to issue an additional 2 773 544 ordinary shares; this being determined on the basis of the issue price of R6.50 and the R/US$ exchange rate of 1: 13.9413.

Taking the above into account, the weighted number of shares for diluted earnings purposes would be 91 304 740 shares.

		REVIEWED 6 months ended 30 June 2019 US$	UNAUDITED 6 months ended 30 June 2018 US$	AUDITED Year ended 31 December 2018 US$
8.7	**Net asset value per share**			
	Net assets (excluding non-controlling interests ("NCI"))	69 331 365	59 285 278	63 067 655
	Number of ordinary shares in issue	88 531 196	78 531 195	88 531 196
	Net asset value per share (cents)	**78.31**	**75.49**	**71.24**
8.8	**Net tangible asset value per share**			
	Net tangible assets	57 053 832	50 296 160	53 005 506
	Number of ordinary shares in issue	88 531 196	78 531 195	88 531 196
	Net asset value per share (cents)	**64.44**	**64.05**	**59.87**
	Reconciliation of net asset to net tangible assets			
	Net assets (excluding NCI)	**69 331 365**	**59 285 278**	**63 067 655**
	Non-tangible assets	**(12 277 533)**	**(8 989 118)**	**(10 062 149)**
	Goodwill	(8 261 050)	(8 261 050)	(8 261 050)
	Right of use asset	(3 518 459)	-	-
	Deferred tax assets	(498 024)	(728 068)	(1 801 099)
	Net tangible assets	**57 053 832**	**50 296 160**	**53 005 506**

9 INVESTMENT IN ASSOCIATES

9.1 Disposal of investment in associate

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

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

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

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

	REVIEWED 6 months ended 30 June 2019 US$	UNAUDITED 6 months ended 30 June 2018 US$	AUDITED Year ended 31 December 2018 US$
Balance as at the beginning of the period	**-**	**4 370 066**	**4 370 066**
Share of profit of an associate	-	512 289	512 289
Dividends paid	-	(149 836)	(149 836)
Equity accounted carrying amount of total investment before the Transaction	**-**	**4 732 519**	**4 732 519**
Disposal in terms of the Transaction	-	(2 272 507)	(2,272,507)
Equity accounted carrying amount of remaining investment	**-**	**2 460 012**	**2 460 012**
Fair value gain on remeasurement of carrying amount of equity accounted investment to financial asset at fair value through profit or loss*	-	4 082 299	4 082 299
Transfer to financial assets at fair value through profit or loss	-	(6 542 311)	(6 542 311)
Balance as at the end of the period	**-**	**-**	**-**

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.

9.2 Profit from disposal of an associate

The profit from disposal of an associate was determined as follows:

	REVIEWED 6 months ended 30 June 2019 US$	UNAUDITED 6 months ended 30 June 2018 US$	AUDITED Year ended 31 December 2018 US$
Cash consideration received	-	5 453 518	5 453 518
Transaction costs	-	(175,385)	(175 385)
Net proceeds	**-**	**5 278 133**	**5 278 133**
Equity carrying amount of investment portion sold (note 9.1)	-	(2 272 507)	(2 272 507)
Profit from disposal of an associate	**-**	**3 005 626**	**3 005 626**

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	REVIEWED 6 months ended 30 June 2019 US$	UNAUDITED 6 months ended 30 June 2018 US$	AUDITED Year ended 31 December 2018 US$
Balance as at the beginning of the period	**-**	**3 139 091**	**3 139 091**
Transfer from investment in associates (GetBucks shares) (note 9.1)	-	6 542 311	6 542 311
Fair value gains/(losses)	-	979 561	979 561
Total disposals	**-**	**(6 807 144)**	**(8 015 004)**
Sale of MyBucks listed equity investment	-	(3 438 785)	(4 645 497)
Sale of GetBucks shares after reclassification from investment in associate (10.2)	-	(3 368 359)	(3 369 507)
Maturity of Treasury bills	-	(155 773)	(155 773)
GetBucks shares given up to settle interest on a loan post reclassification from investment in associate (note 10.1)	-	(269 646)	(269 646)
Derecognition of financial assets at fair value through profit or loss on disposal of subsidiary (note 12.2)	-	(2 220 540)	(2 220 540)
Balance as at the end of the period	**-**	**1 207 860**	**-**
As at the end of the period:			
Financial assets at fair value through profit or loss comprise of the following:			
Listed GetBucks shares*	-	1 207 860	-

** represents 32 644 872 shares at ZSE listed price of US$0.037 per share.*

10.1 Settlement of interest through delivery of GetBucks shares

As disclosed in note 9.1, 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 shares given up were derecognised at their aggregate fair value of US$269 646.

10.2 Other disposal of GetBucks shares

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".

11 FAIR VALUE MEASUREMENTS

11.1 Fair value measurements

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

11 FAIR VALUE MEASUREMENTS (CONTINUED)

11.2 Fair value hierarchy

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

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

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

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

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:
- the use of quoted market prices for the listed equities;
- the use of unobservable inputs in the determination of fair value of investment property and property and equipment; and
- the fair values for treasury bills have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

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

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Recurring fair value measurements as at 30 June 2019				
Assets				
Property and equipment	-	-	87 379 199	**87 379 199**
Investment property	-	-	22 984 001	**22 984 001**
	-	**-**	**110 363 200**	**110 363 200**
Recurring fair value measurements as at 30 June 2018				
Assets				
Investment property	-	-	21 876 764	**21 876 764**
Financial assets at fair value through profit or loss:				
- Zimbabwe Stock Exchange listed equity securities	1 488 185	-	-	**1 488 185**
	1 488 185	**-**	**21 876 764**	**23 364 949**
Recurring fair value measurements as at 31 December 2018				
Assets				
Investment property	-	-	23 551 754	**23 551 754**

11 FAIR VALUE MEASUREMENTS (CONTINUED)

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

The following table presents the changes in level 3 items for the periods ended 30 June 2019 and 30 June 2018, and the year ended 31 December 2018:

	TREASURY BILLS		
	REVIEWED 6 months ended 30 June 2019 US$	UNAUDITED 6 months ended 30 June 2018 US$	AUDITED Year ended 31 December 2018 US$
At the beginning of the period/year	**-**	**679 867**	**679 867**
Treasury bills - matured during the period/year	-	(155 773)	(155 773)
Derecognition on disposal of subsidiary	-	(524 094)	(524 094)
Balance at the end of the period/year	**-**	**-**	**-**

12 DISPOSAL OF A SUBSIDIARY

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

	REVIEWED 6 months ended 30 June 2019 US$	UNAUDITED 6 months ended 30 June 2018 US$	AUDITED Year ended 31 December 2018 US$
12.1 Loss from sale of subsidiary			
Consideration receivable	**-**	**6 203 190**	**6 203 190**
Cash	-	1 883 847	1 883 847
Amount payable to GetSure assumed by the buyer	-	4 319 343	4 319 343
Carrying amount of net assets sold (note 12.2)	-	7 150 531	7 150 531
Loss from disposal	**-**	**(947 341)**	**(947 341)**
12.2 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:			
Total assets			
Investment property	-	380 000	380 000
Equipment	-	127 774	127 774
Intangible assets	-	130 809	130 809
Financial assets at fair value through profit or loss	-	2 220 540	2 220 540
Trade and other receivables	-	6 964 833	6 964 833
Cash and cash equivalents	-	482 511	482 511
	-	**10 306 467**	**10 306 467**
Total liabilities			
Trade creditors	-	649 285	649 285
Insurance liabilities	-	2 505 336	2 505 336
Deferred tax liability	-	1 315	1 315
	-	**3 155 936**	**3 155 936**
Net assets	**-**	**7 150 531**	**7 150 531**

13 COMMITMENTS

		REVIEWED 6 months ended 30 June 2019 US$	UNAUDITED 6 months ended 30 June 2018 US$	AUDITED Year ended 31 December 2018 US$
13.1	**Capital commitments**			
	Authorized and contracted for	26 880	344 739	194 664
	Authorised and not contracted for	16 389 329	5 592 364	16 760 061
		16 416 209	**5 937 103**	**16 954 725**

14 MATERIAL RELATED PARTY TRANSACTIONS

Included in the current portion of the borrowings as at 30 June 2019 is an amount of US$2.9 million (30 June 2018 and 31 December 2018: US$2.5 million and US$2.7 million respectively) due to Mr. Rokos which was advanced to the Company in December 2017. The loan, which is unsecured, bears interest at 15% (30 June 2018 and 31 December 2018: 15%) per annum and is and is due for full repayment on demand.

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

15 MATERIAL SUBSEQUENT EVENTS

15.1 Rights offer

The Board approved a Rights Offer in terms of which the Company would approach shareholders for a capital raise. Should the Rights Offer be successful, a total of 13.2 million ordinary shares would be issued as a price of R6.50 per share, with a view to raise about US$5.7 million in equity capital. The Rights Offer closed on 20 September 2019. 71.42% of the shares that had been made availed were taken up, resulting in US$4.1 million in equity capital being raised.

15.2 Debt restructuring

On 2 September 2019, the Company and certain related parties entered into an agreement which effectively altered the manner in which certain loans advanced to the Company in 2017 and 2018 would be settled. In terms of the original loan agreements, these loans and accrued interest thereon were repayable on cash and on demand. However, in terms of the revised agreement, these loans would be settled through issue of shares by the Company to the lenders at a price of R6.50 per share. The loans amounted to US$3.3 million as at the reporting date.

In terms of the JSE Listing Requirements, the settlement would be subject to shareholder approvals and the process to secure the same was underway. Subject to shareholder approvals being secured, the loans are expected to be settled on or about 1 November 2019.

16 MATERIAL CONTINGENT LIABILITY

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.

17 GOING CONCERN

As at 30 June 2019, the Group's current liabilities exceeded its current assets by US$4.5 million (31 December 2019: US$9.5m). Loan commitments within the next 12 months amounted to US$8 million (31 December 2018: US$12.9 million).

In spite of the working capital still being negative, the current reporting date position reflects notable improvement relative to the negative working capital position of US$9.5 million as 31 December 2018. The improvement is largely attributable to the reduction in Group debt from US$17.1 million as at 31 December 2018 to US$8.1 million as at 30 June 2019.

The Group is working towards materially reducing the Group debt by the end of the current year. The following would be the strategic initiatives the Group would pursue to repay debt:

a) Embarking on a Rights Offer, which has raised US$4.1 million as disclosed in note 15.1 above; and
b) Debt restructuring, which is disclosed in note 15.2. Successful conclusion of this initiative would result in settlement of loans amounting to US$3.3 million.

The Board is confident that the initiatives discussed above will be successful and impact therefore materially positive to correct the negative working capital position.

The Board has therefore not identified events or conditions that individually or collectively cast significant doubt on the ability of the Company and/or the Group to continue as a going concern.

18 DIVIDEND

No dividend was declared during the interim period (2018 US$nil).

19. CHANGES TO THE BOARD

Mr. Richard Charrington resigned from the Board on 26 March 2019, whilst Mr. Brett Childs resigned from both the Board and from the Chief Executive Officer ("CEO") role on 5 June 2019. The Board would like to thank the two gentlemen for their years of service to the Company.

Mr. Peter Saungweme, the current Chief Finance Officer of the Company, was appointed as the Interim CEO with effect from 5 June 2019.

Mrs. Zain Madarun and Mrs. Manisha Ramphul were appointed to the Board on 28 June 2019. The Board welcomes them and look forward to them being of service to the Company.