ARDEN
CAPITAL
(formerly Brainworks Limited)

ABRIDGED AUDITED CONSOLIDATED FINANCIAL RESULTS

For the year ended 31 December 2019

Arden Capital Limited (formerly Brainworks Limited)
(Incorporated in the Republic of Mauritius)
(Registration number 115883 C1/GBL)
(Share code: ACZ, ISIN MU0548S00026)

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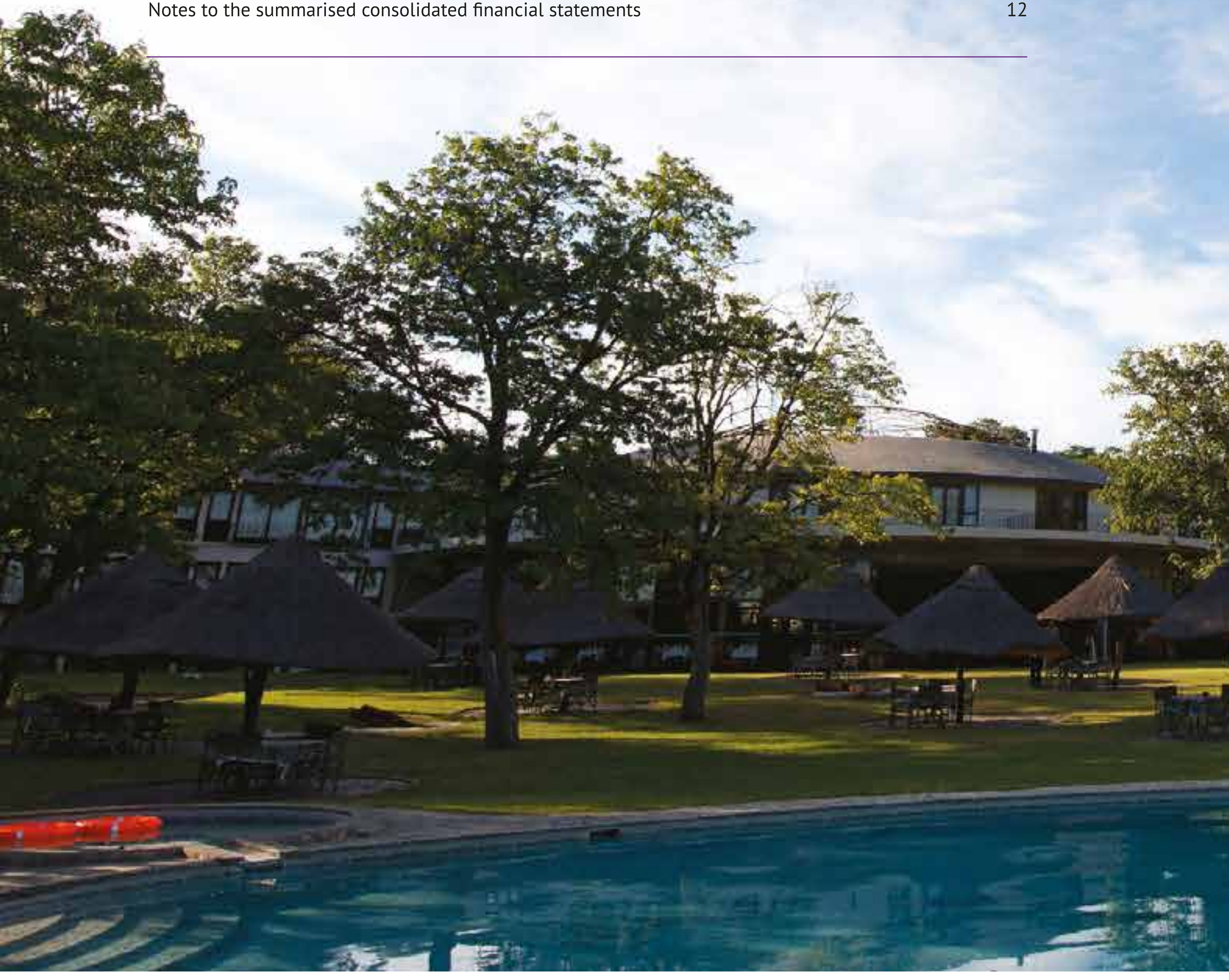

CORPORATE INFORMATION

DIRECTORS

Non-executive directors

Simon F.W. VILLAGE (Chairman)
Chipo MTASA (Lead independent non-executive)
Richard G. MUIRIMI
George S.J. BENNETT
Manisha RAMPHUL (appointed: 28 June 2019)
Zain MADARUN (appointed: 28 June 2019)
Audrey M. MOTHUPI
Simon NYAROTA

Executive director

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

LEGAL ADVISORS

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100 Nelson Mandela Avenue,
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Zimbabwe

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Zimbabwe

Evershed Sutherlands

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BANKERS:

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COMPANY SECRETARY

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JSE Share code: BWZ
ISIN: MU0548S00000

INDEPENDENT STATUTORY AUDITOR:

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COMMENTARY

INTRODUCTION

The directors hereby present the summarised audited consolidated financial statements ("the Financial Statements") of Arden Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2019.

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

All the Company's subsidiaries operate in Zimbabwe.

ECONOMIC REVIEW

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

The year under review also witnessed the following important pronouncements:

- On 20 February 2019, the Reserve Bank of Zimbabwe ("RBZ") through a monetary policy statement introduced policies aimed at establishing a formal trading mechanism of Real Time Gross Sttlement ("RTGS") balances and bond notes with international currencies by establishing an Interbank Foreign Exchange Market. On the same date, the RBZ announced the official designation of the then existing RTGS balances, bond notes and coins in circulation then as RTGS dollars ("RTGS$"), in order to establish an exchange rate between the RTGS$ and foreign currencies. The RTGS dollars thus became part of the multi-currency system in Zimbabwe. The RTGS$, which is now officially the Zimbabwean dollar ("ZWL") began trading on the interbank platform at a rate of US$1 to ZWL2.5 towards the end of February 2019.

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

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

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

Confidence in the local currency remains subdued as the desired effect of these currency reforms has not yet been fully achieved. The downward slide of the local currency against the US$ between February and December 2019 had a significant bearing on inflation trends over the same period. Inflation, which increased from 104% in March 2019 to close the year at 521%, has continued on the upward trajectory in 2020. The fiscal and monetary authorities are confident that this will be brought under control before the end of 2020.

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

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

FINANCIAL RESULTS

Revenues

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

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

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

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

   In contrast, revenues for the comparative period where 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 94% of the total current year Group revenue. Revenue from this segment decreased by 20% to US$54.5 million, compared to US$68.5 million recorded over the same period in the prior year. The decline is largely attributable to the factors noted above.

Operating expenses

At US$31.2 million, Group operating expenses recorded a 34% decrease in comparison to the prior year operating expenses of US$47.5 million. The major segment, hospitality, recorded a decrease in operating expenses of 24% from US$37.7 million in 2018 to US$28.7million during the year under review, partly due to the currency translation impact and better cost containment strategies which were across the Group.

Debt and finance costs

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

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

Overall, current year net finance costs recorded a decrease of 13% after recognition of US$0.5 million for the first time, as a consequence of implementation of IFRS 16 – Leases which became effective on 1 January 2019.

Profitability

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

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

SIGNIFICANT FINANCIAL REPORTING MATTERS STANDARDS

a. Change in functional currency for subsidiaries

All the Company's subsidiaries operate in Zimbabwe.

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

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

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

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

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

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

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

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

Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.

The adoption of the standard resulted in recognition of right of use assets and lease liabilities. As at the reporting date, the Group had recognised right-of-use assets and lease liabilities of US$13 million and US$2.2 million, respectively. Refer to note 8.1 for further disclosures relating to impact of IFRS 16 adoption.

c. Adoption of IAS 29 – *Financial Reporting in Hyperinflationary Economies*

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

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

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

SIGNIFICANT FINANCIAL REPORTING MATTERS STANDARDS (CONTINUED)

d. Changes in accounting policy – property and equipment

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

In the Group's view, continuing with the cost model in the current economic environment would have resulted in assets that are grossly understated. As a result, the Group changed to the revaluation model with effect from 30 June 2019. The impact of change in accounting policy in this regard is disclosed in note 8.2.

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. The agreement between the lenders and the Company provided for settlement of the principal and interest amounts through issue of shares by the Company.

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

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

b. Rights Offer

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

The Rights Offer closed on 20 September 2019 and results thereof were announced to the market on 23 September 2019.
9 427 476 ordinary shares, representing 71.42% of the rights that were on offer were taken up by shareholders, raising gross proceeds of US$ 4.1 million.

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

c. Rebranding

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

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

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

GLOBAL OUTBREAK OF COVID-19 AND GOING CONCERN ASSESSMENT

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

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

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

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

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

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

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

GLOBAL OUTBREAK OF COVID-19 AND GOING CONCERN ASSESSMENT (CONTINUED)

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

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

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

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

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

OUTLOOK

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

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

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

For and on behalf of the Board

Simon. F Village
Chairman

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 US$	2018 US$
ASSETS			
Property and equipment		94 803 254	88 954 165
Right-of-use assets	8.1	12 978 504	-
Investment property		22 705 710	23 551 754
Intangible assets		4 241 093	8 261 050
Deferred tax assets		790 255	1 801 099
Other non-current assets		1 503 317	2 913 769
		137 022 133	**125 481 837**
Current assets			
Inventory		4 157 860	5 362 465
Trade and other receivables		6 997 023	8 017 065
Cash and cash equivalents		12 481 738	16 362 679
		23 636 621	**29 742 209**
TOTAL ASSETS		**160 658 754**	**155 224 046**
EQUITY AND LIABILITIES			
Equity			
Stated capital		73 163 254	63 088 923
Revaluation reserve		28 783 794	-
Other reserves		(45 048 705)	(965 730)
Retained profits		14 033 141	944 462
		70 931 484	**63 067 655**
Non-controlling interests		46 237 637	38 677 028
Total equity		**117 169 121**	**101 744 683**
Non-current liabilities			
Borrowings		139 603	4 174 081
Deferred tax liabilities		27 174 350	9 737 274
Deferred lease income		16 160	296 406
Lease liabilities	8.2	2 112 203	-
		29 442 316	**14 207 761**
Current liabilities			
Borrowings		316 081	12 892 525
Trade and other payables		11 664 482	20 258 875
Provisions		1 216 919	5 518 631
Deferred lease income		1 949	30 868
Lease liabilities		43 954	-
Current income tax payable		803 932	570 703
		14 047 317	**39 271 602**
TOTAL LIABILITIES		**43 489 633**	**53 479 363**
TOTAL EQUITY AND LIABILITIES		**160 658 754**	**155 224 046**

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 US$	2018 US$
Revenue	12	58 060 134	79 296 722
Cost of sales and other direct costs	12	(12 340 069)	(25 599 671)
Gross profit		**45 720 065**	**53 697 051**
Fair value gain on financial assets at fair value through profit or loss		-	979 561
Operating expenses	12	(31 240 405)	(47 526 090)
Net impairment losses on financial assets		145 968	(372 604)
Reversal of impairment losses on financial assets		-	129 988
Profit from disposal of associate	14.2	-	3 005 626
Other income	15	19 633 762	4 778 412
Fair value gain on remeasurement of investment in associate	14.1	-	4 082 299
Loss from disposal of subsidiary	18.1	-	(947 341)
		(11 460 675)	**(35 870 149)**
Operating profit before finance cost		**34 259 390**	**17 826 902**
Finance income		84 129	114 503
Finance expense	12	(2 855 789)	(3 272 000)
Net finance expenses	**12**	**(2 771 660)**	**(3 157 497)**
Share profit of associates	14.1	-	512 289
Profit before income tax		**31 487 730**	**15 181 694**
Income tax expense		(10 275 318)	(4 767 245)
Profit for the year		**21 212 412**	**10 414 449**
Other comprehensive income			
Exchange losses on translation of foreign operations		(59 166 791)	(86 031)
Revaluation of property and equipment, net of deferred tax		44 099 205	-
		(15 067 586)	**(86 031)**
Total comprehensive income for the year		**6 144 826**	**10 328 418**
Profit attributable to:			
Owners of the parent		13 088 679	4 951 126
Non-controlling interests		8 123 733	5 463 323
		21 212 412	**10 414 449**
Total comprehensive income attributable to:			
Owners of the parent		(2 210 502)	4 901 537
Non-controlling interests		8 355 328	5 426 881
		6 144 826	**10 328 418**
Earnings per share (cents)			
Basic and diluted	13.1	12.86	6.18
Number of shares in issue	13.6	109 491 523	88 531 195
Weighted average number of shares in issue	13.6	101 757 930	80 062 677

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

		ATTRIBUTABLE TO OWNERS OF ARDEN CAPITAL LIMITED						
	Note	Stated capital US$	Revaluation reserves US$	Other reserves US$	(Accumulated losses)/ retained profits US$	Total US$	Non-controlling interests US$	Total US$
YEAR ENDED 31 DECEMBER 2018								
Balance as at 1 January 2018 as previously stated		**55 785 508**	**-**	**(916 141)**	**(3 394 300)**	**51 475 067**	**34 151 255**	**85 626 322**
Restatement as a result of adoption of IFRS 9	10	-	-	-	(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**
Exchange differences on translation of foreign operations		-	-	(49 589)		**(49 589)**	(36 442)	**(86 031)**
Total comprehensive income for the year		**-**	**-**	**(49 589)**	**4 951 126**	**4 901 537**	**5 426 881**	**10 328 418**
Transactions with owners in their capacity as owners:								
Derecognition of treasury shares	13.6.3	2 750 000	-	-	(135 000)	**2 615 000**	-	**2 615 000**
Issue of shares for cash	13.6	4 553 415	-	-	-	**4 553 415**	-	**4 553 415**
Dividends 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**
YEAR ENDED 31 DECEMBER 2019								
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 year		-	-	-	13 088 679	**13 088 679**	8 123 733	**21 212 412**
Exchange differences on translation of foreign operations		-	-	(44 082 975)	-	**(44 082 975)**	(15 083 816)	**(59 166 791)**
Revaluation of property and equipment, net of tax		-	28 783 794	-	-	**28 783 794**	15 315 411	**44 099 205**
Total comprehensive income for the year		**-**	**28 783 794**	**(44 082 975)**	**13 088 679**	**(2 210 502)**	**8 355 328**	**6 144 826**
Transactions with owners in their capacity as owners:								
Issue of shares		10 074 331	-	-	-	**10 074 331**	-	**10 074 331**
Dividends paid to non-controlling interests		-	-	-	-	**-**	(794 719)	**(794 719)**
		10 074 331		**-**	**-**	**10 074 331**	**(794 719)**	**9 279 612**
Balance as at 31 December 2019		**73 163 254**	**28 783 794**	**(45 048 705)**	**14 033 141**	**70 931 484**	**46 237 637**	**117 169 121**

SUMMARISED CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 US$	2018 US$
Operating cashflows before working capital changes		**22 036 739**	**18 866 231**
Working capital changes			
Change in inventory		3 492 890	1 789 237
Changes in trade and other payables		(14 265 986)	1 509 582
Changes in trade and other recievables		1 166 010	(2 213 014)
Cash generated from operations		**12 429 653**	**19 952 036**
Dividends received		-	149 836
Income tax paid		(3 050 317)	(4 439 388)
Interest received		29 220	114 503
Interest paid on borrowings		(683 654)	(2 708 238)
Interest paid on lease liabilities		(514 442)	-
Dividends declared and paid to non-controlling interests		(794 719)	(558 526)
Net cash generated from operating activities		**7 415 741**	**12 510 273**
Cash flows from investing activities			
Proceeds from disposal of financial assets at fair value through profit or loss		-	2 616 551
Proceeds from disposal of property and equipment		174 908	2 260 240
Purchase of equipment		(5 497 309)	(6 254 407)
Capital expenditure on investment property		-	(45 942)
Acquisition of investment property		(153 882)	(887 232)
Proceeds from disposal of investment property		-	200 000
Proceeds from disposal of subsidiary	18.1	-	1 883 847
Cash and cash equivalents transferred on disposal of subsidiary	18.2	-	(482 511)
Proceeds from disposal of treasury shares	13.6.3	-	1 006 557
Net cash (used in)/generated from investing activities		**(5 476 283)**	**297 103**
Cash flows from financing activities			
Proceeds from borrowings		1 789 879	208 416
Repayment of borrowings		(6 231 057)	(11 716 705)
Repayment of lease liabilities		(445 255)	-
Proceeds from issue of ordinary shares	13.6.1	4 017 959	4 553 415
Net cash used in financing activities		**(868 474)**	**(6 954 874)**
Net increase in cash and cash equivalents		**1 070 984**	**5 852 502**
Exchange losses on cash and cash equivalents		(4 951 925)	(34 142)
Cash and cash equivalents at beginning of the year		16 362 679	10 544 319
Cash and cash equivalents at end of the year		**12 481 738**	**16 362 679**

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION

The summarised consolidated financial statements for the year ended 31 December 2019 ("Summarised Consolidated Financial Statements") have been prepared in accordance with the requirements of the JSE Listings Requirements for abridged reports. The JSE Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"), the preparation and disclosure requirements of International Accounting Standard ("IAS") 34 - Interim Financial Reporting, the South Africa Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council ("FRSC").

The Chief Finance Officer, Peter Saungweme CA(Z), supervised the preparation of the Summarised Consolidated Financial Statements. The accounting policies applied in the preparation of the Summarised Consolidated Financial Statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements as at 31 December 2018 other than as described in notes 4 and 5. The Summarised Consolidated Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS, except for non-compliance with IAS21 and the consequent outcome of the application of IAS 29 by the Zimbabwe based subsidiaries of the Group.

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

The condensed financial statements are expressed in the United States of America dollar ("US$") and are prepared under the historical cost convention as modified by revaluation of property and equipment and the fair valuation of investment property.

3 AUDIT OPINION

These Summarised Consolidated Financial Statements should be read in conjunction with the complete set of the audited consolidated financial statements for the year ended 31 December 2019, which have been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe). An adverse audit opinion was issued as a result of non-compliance with IAS 21 and IAS 29. In addition, the audit report also includes the independent auditor's reservation on the application of a conversion rate to the US$ valuation inputs to calculate the ZWL values of investment property and property and equipment as at 31 December 2019 by the Zimbabwe based subsidiaries.

A copy of the audit opinion is available as follows:

a) on the Company's website: http://www.arden-capital.com/investor-relations/financial-results-reports; and
b) at the Company's registered office.

The independent auditor's report includes a section on key audit matters. The key audit matter raised in the auditor's report relates to the assessment of allowance for expected credit losses.

4 ACCOUNTING POLICIES

The accounting policies adopted are prepared in accordance with IFRS, except for non-compliance with IAS 21 and 29, and are consistent with those adopted in the preparation of the financial statements in the prior year, except as disclosed in notes 7 and 8 below.

5 NEW AND/AMENDED STANDARDS ADOPTED BY THE GROUP

IFRS 16 Leases

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

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019. The impact of the adoption of these standards and the new accounting policies are disclosed in note 8.1 below.

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

6 IMPACT OF STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards that have been issued but are not yet effective for the accounting period under review are expected not to have a material impact on the Group's financial statements. None of those standards have been early adopted by the Group.

7 CHANGE IN FUNCTIONAL AND REPORTING CURRENCY FOR SUBSIDIARIES

All the Company's subsidiaries operate in Zimbabwe.

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

Prior to 20 February 2019, the transactions in Zimbabwe were accounted for on the basis of a regulated parity position of 1 Zimbabwe dollar ("ZWL") to 1 US$, when the underlying economic indicators and the general market consensus was that these currencies were not at par. As a result, the subsidiaries accounted for the transactions for the two months on that basis, and began translating transactions where necessary on the basis of the interbank exchange rate with effect from 1 March 2019. Further disclosures are in note 10.1 below.

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

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

After changes in the functional currency of the Group's Zimbabwe based subsidiaries, the directors reassessed the functional currency of Arden Capital Limited and considered the primary and secondary indicators of the Company. They concluded that its functional currency, determined by the currency of its own revenues, its own expenses and its financing is still the US$. Given the fact that the subsidiaries are also operating in a hyperinflationary economy, as disclosed in note 9, their results have been translated to the US$ equivalent on the basis of principles outlined in IAS 29 and IAS 21.

8 CHANGES IN ACCOUNTING POLICIES

8.1 Impact of adoption of IFRS 16

This note explains the impact of the adoption of IFRS 16 - *Leases* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

8 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

8.1 Impact of adoption of IFRS 16 (continued)

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

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

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:

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

The lease liabilities arise from lease contracts held predominanlty in Zimbabwe. The Group holds an immaterial office lease contract in South Africa.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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

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

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

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

8 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

8.1 Impact of adoption of IFRS 16 (continued)

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

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 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.*

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

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

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.

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

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

8 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

8.1 Impact of adoption of IFRS 16 (continued)

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

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

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

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

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

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

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

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

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

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

8 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

8.2 Change in accounting policy for subsequent measurement of property and equipment (continued)

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

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

9 IAS 29 IMPLEMENTATION

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

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

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

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

Date	Indices	Adjusting Factor
31 December 2019	551.63	1.0000
31 December 2018	88.81	6.2115

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

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

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

9 IAS 29 IMPLEMENTATION (CONTINUED)

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

10 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. 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:

10.1 KEY ESTIMATES

10.1.1 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.

10.1.2 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.

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

b) Model and assumptions used - the Group used models and assumptions in estimating expected credit losses. 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.

10.2 KEY JUDGEMENTS

10.2.1 Functional and presentation currency

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

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

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

10 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

10.2 KEY JUDGEMENTS (CONTINUED)

10.2.1 Functional and presentation currency (continued)

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

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

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

10.2.2 Tax liabilities

As disclosed in note 21, the Group is defending various tax claims from the Zimbabwe Revenue Authority. On the basis of tax advice the Group has received from independent tax and legal counsel, the Directors have recognised a liability for one of the claims and considered the remainder to be contingent.

10.2.3 Determination of lease terms

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

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

11 KEY CREDIT RISK DISCLOSURES

Impairment of financial assets

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

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified. The Group has four types of financial assets that are subject to IFRS 9's 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; and
iv) Other receivables at armotised cost.

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

11 KEY CREDIT RISK DISCLOSURES (CONTINUED)

Impairment of financial assets (continued)

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

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

11 KEY CREDIT RISK DISCLOSURES (CONTINUED)

Impairment of financial assets (continued)

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

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 reduction in the expected credit loss allowance of US$710 583 for the year ended 31 December 2019 (31 December 2018: US$198 805).

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

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

11 KEY CREDIT RISK DISCLOSURES (CONTINUED)

Impairment of other financial assets at amortised cost (continued)

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

Classification

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

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

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

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.

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

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

Impairment of financial assets

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

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

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

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

12 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee ("Group Exco"). The Group Exco, which consists of the Chief Executive Officer, the Chief Finance Officer and the Group Head of Legal and Compliance, examines the Group's performance both from a service offering perspective and has identified the following four reportable segments:

a) **Hospitality -** this part of the business operates within the tourism and hospitality sector, operating 11 hotels all in Zimbabwe.

b) **Real estate -** this part of the segment's business:

- holds 7 hotels that are all leased to the hospitality segment of the Group's business;
- develops residential properties which are either sold or held for capital appreciation, informed by the prevailing economic environment;
- provides property management, valuation, agency and other and ancillary services; and
- owns resorts properties which are sold under timeshare arrangements.

c) **Logistics -** the logistics business is involved in road transportation of bulk petroleum products mainly to Democratic Republic of Congo and Zambia .

d) **Other -** this includes head office and group services.

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

Revenue, assets and liabilities

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

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

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

Allocation of Group companies to reportable segments

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

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

** The entire equity interest in this subsidiary was disposed of on 30 June 2018. GetSure Life Assurance (Private) Limited was part of the financial services segment which was considered to be insignificant to the Group.

*** This was disclosed as part of the "Other" segment in 2018, but has been disaggregated to a separate reportable segment with effect from 2019. Although the Logistics segment does not meet any of the quantitative thresholds in accordance with IFRS 8, "Segment reporting", the Group has decided to report and separately disclose the same, as it believes that information about the segment would be useful to users of the financial statements.

12 SEGMENT INFORMATION (CONTINUED)

	Hospitality US$	Real estate US$	Logistics US$	Other US$	Consolidation adjustment US$	Group US$
Year ended 31 December 2019						
Revenue						
- external customers	54 499 274	924 719	2 636 141	-	-	**58 060 134**
- internal customers	-	2 965 314	-	-	(2 965 314)	**-**
	54 499 274	**3 890 033**	**2 636 141**	**-**	**(2 965 314)**	**58 060 134**
Cost of sales and other related costs	(11 317 232)	-	(1 022 837)	-	-	**(12 340 069)**
Gross profit	**43 182 042**	**3 890 033**	**1 613 304**	**-**	**(2 965 314)**	**45 720 065**
Operating expenses	(28 657 298)	(2 154 193)	(1 456 425)	(2 999 486)	4 026 998	**(31 240 405)**
Operating profit/(loss)	20 681 098	54 485 005	1 019 435	(1 754 420)	(40 171 728)	**34 259 390**
Finance income	48 454	6 432	-	1 043 130	(1 013 887)	**84 129**
Finance costs	(577 836)	(79 751)	(54 688)	(3 202 562)	1 059 048	**(2 855 789)**
- Borrowings	(68 689)	(79 751)	(49 393)	(2 070 039)	1 059 048	**(1 208 824)**
- Lease liabilities	(509 147)	-	(5 295)	-	-	**(514 442)**
- Loss arising from settlement of liability through equity instruments (note 13.6.2)	-	-	-	(1 132 523)	-	**(1 132 523)**
Net finance costs	**(529 382)**	**(73 319)**	**(54 688)**	**(2 159 432)**	**45 161**	**(2 771 660)**
Profit/(loss) before income tax	**20 151 716**	**54 411 686**	**964 747**	**(3 913 852)**	**(40 126 566)**	**31 487 730**
Total assets as at 31 December 2019	**62 869 164**	**90 814 731**	**2 443 013**	**96 855 480**	**(92 323 634)**	**160 658 754**
Total assets include:						
Property and equipment	26 949 043	65 887 218	1 782 444	184 549	-	**94 803 254**
Goodwill	4 241 093	-	-	-	-	**4 241 093**
	31 190 136	**65 887 218**	**1 782 444**	**184 549**	**-**	**99 044 347**
Total liabilities as at 31 December 2019	**23 481 114**	**5 718 279**	**802 690**	**14 585 037**	**(1 097 487)**	**43 489 633**

12 SEGMENT INFORMATION (CONTINUED)

	Hospitality US$	Real estate US$	Financial services US$	Logistics US$	Other US$	Consolidation adjustments US$	Group US$
Year ended 31 December 2018							
Revenue							
- external customers	68 499 411	7 100 807	1 142 654	2 553 850	250 574	(250 574)	**79 296 722**
- internal customers	-	3 994 351	-	-	-	(3 994 351)	**-**
	68 499 411	**11 095 158**	**1 142 654**	**2 553 850**	**250 574**	**(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**	**1 136 343**	**250 574**	**(250 574)**	**53 697 051**
Operating expenses	(37 704 846)	(3 901 782)	(655 633)	(1 469 015)	(7 060 296)	3 265 482	**(47 526 090)**
Operating profit/(loss)	14 186 926	4 889 957	3 422 276	230 449	(921 453)	(3 981 253)	**17 826 902**
Share of profit of associates	-	-	302 654		209 635	**-**	**512 289**
Finance income	72 373	37 538	-	1 909	1 126 026	(1 123 343)	**114 503**
Finance costs borrowings	(660 028)	(295 216)	59 135	(185 655)	(3 501 653)	1 311 417	**(3 272 000)**
Net finance (costs)/income	**(587 655)**	**(257 678)**	**59 135**	**(183 746)**	**(2 375 627)**	**188 074**	**(3 157 497)**
Profit/(loss) before income tax	**13 599 271**	**4 632 279**	**3 784 065**	**46 704**	**(3 087 445)**	**(3 793 180)**	**15 181 694**
Total assets as at 31 December 2018	**48 378 718**	**100 574 106**	**-**	**3 876 340**	**67 185 938**	**(64 791 056)**	**155 224 046**
Total assets include:							
Property and equipment	24 131 483	63 387 105	-	2 372 283	173 413	(1 110 119)	**88 954 165**
Goodwill	8 261 050	-	-		-	-	**8 261 050**
	32 392 533	**63 387 105**	**-**		**173 413**	**(1 110 119)**	**97 215 215**
Total liabilities	**28 689 696**	**9 771 506**	**-**	**3 320 573**	**29 119 595**	**(17 422 007)**	**53 479 363**

13 EARNINGS PER SHARE

		2019 US$	2018 US$
13.1	Basic earnings per share (cents)	12.86	6.18
13.2	Diluted earnings per share (cents)	12.86	6.18
13.3	Headline earnings/(loss) per share (cents)	3.11	(3.14)
13.4	Diluted headline earnings/(loss) per share (cents)	3.11	(3.14)
13.5	**Reconciliations of earnings used in calculating earnings per share**		
	Basic earnings attributable to owners of parent (for both basic and diluted earnings per share)	**13 088 679**	**4 951 126**
	Adjusted to headline earnings as follows:		
	Loss from disposal of subsidiary (note 18.1)	-	947 341
	Fair value gain on reclassification of investment in associate to financial assets held at fair value through profit or loss (note 14.1)	-	(4 082 299)
	Profit from disposal of investment in associate (note 14.2)	-	(3 005 626)
	Fair value gain on investment property	(13 256 442)	(949 580)
	Loss/(profit) from disposal of property and equipment (note 15)	21 119	(890 860)
	Net non-monetary gain (note 15)	(7 389 965)	-
	Loss from disposal of investment property	-	5 000
	Loss arising from settlement of financial liabilities through equity instruments (note 13.6.2)	1 132 523	-
	Exchange loss on foreign currency denominated intra-group liabilities	8 433 440	-
	Tax effect of headline earnings adjustments	1 192 246	244 517
	Total non-controlling effect of adjustments	(57 276)	267 324
	Headline earnings/(loss) attributable to owners of parent	**3 164 324**	**(2 513 057)**
13.6	**Weighted average number of shares in issue**		
	Shares at the beginning of the year	88 531 195	75 625 640
	Issue of shares for cash (note 13.6.1)	5 218 401	2 500 000
	Issue of shares - loan settlement (note 13.6.2)	8 008 334	-
	Derecognition of treasury shares (note 13.6.3)	-	1 937 037
	Shares at the end of the year	**101 757 930**	**80 062 677**
	Weighted average number of shares for basic earnings per share	101 757 930	80 062 677
	Weighted average number of shares for diluted earnings per share	101 757 930	80 062 677
	Number of shares in issue	109 491 523	88 531 195

13.6.1 Issue of shares for cash

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

** *During 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 erroneously reported as 10 046 350 in the prior year financial statements.*

13.6.2 Issue of shares as consideration for loan settlement

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

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

13 EARNINGS PER SHARE (CONTINUED)

13.6 Weighted average number of shares in issue (continued)

13.6.2 Issue of shares as consideration for loan settlement (continued)

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

13.6.3 Treasury shares

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

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

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

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

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

Net asset value per share

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

Net tangible asset value per share

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

14 INVESTMENT IN ASSOCIATES

14.1 Disposal of investment in associate in the prior year

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

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

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

The impact of the Transaction on the prior year financial statements was as follows

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

14.2 Profit from disposal of an associate

Included in the statement of comprehensive 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 was calculated 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 14.1)	(2 272 507)
Profit from disposal of an associate	**3 005 626**

		2019 US$	2018 US$
15	**OTHER INCOME**		
	Net foreign exchange losses	(2 033 543)	-
	Net non-monetary gain	7 389 965	-
	Fair value gain from investment property	13 256 442	949 580
	(Loss)/profit from disposal of property and equipment	(21 119)	890 860
	Loss from disposal of financial assets at fair value through profit or loss	-	(813 380)
	RBZ export incentive income	345 672	2 967 977
	Other income	696 345	783 355
		19 633 762	**4 778 412**
16	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Balance as at the beginning of the year	**-**	**3 139 091**
	Transfer from investment in associates (GetBucks ordinary shares) (note 14.1)	-	6 542 311
	Fair value gains	-	979 561
	Total disposals	**-**	(8 015 004)
	Sale of MyBucks ordinary shares	-	(4 645 497)
	Sale of GetBucks ordinary shares after reclassification from investment in associate (16.2)	-	(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 16.1)	-	(269 646)
	Derecognition of financial assets at fair value through profit or loss on disposal of subsidiary (note 18.2)	-	(2 220 540)
	Balance as at the end of the year	**-**	**-**

16.1 Settlement of interest through delivery of GetBucks ordinary shares

As disclosed in note 14.1, the Group had a commitment to settle interest accruing on a US$5 453 518 ("the Loan"). The total interest that accrued on the Loan amounted to US$242 681. The interest was calculated up to 7 June 2018 which was the settlement date of the interest. The Group transferred 7 287 734 GetBucks ordinary shares at the pre-agreed price of US$0.0333 per shares. The fair value price per share based on the Zimbabwe Stock Exchange price on settlement date was US$0.037 per share. This resulted in the recognition of a loss of US$26 965 in the prior year financial statements. The GetBucks ordinary shares given up were derecognized at their aggregate fair value of US$269 646.

16.2 Other disposal of GetBucks ordinary shares

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

17 FAIR VALUE MEASUREMENTS

17.1 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'.

17 FAIR VALUE MEASUREMENTS (CONTINUED)

17.2 Fair value hierarchy

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

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

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

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

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels described above:

The Group did not have any financial assets at fair value through profit or loss as at 31 December 2019 (2018: nil).

18 DISPOSAL OF A SUBSIDIARY

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

	2018 US$
18.1 Loss from sale of subsidiary	
Consideration received	6 203 190
Cash	1 883 847
Amount payable to GetSure assumed by the Buyer*	4 319 343
Carrying amount of net assets sold (note 18.2)	7 150 531
Loss from disposal	**(947 341)**

* As at the date of disposal of the ordinary shares in GetSure, the Group owed GetSure US$4 319 343 through Arden Capital (Private) Limited (formerly Brainworks Capital Management (Private) Limited. As part of settlement of the purchase consideration, the Buyer agreed to assume the Group's indebtedness to GetSure and to settle the same in due course. GetSure accepted the arrangement and considered the Group's indebtedness as fully settled.

18 DISPOSAL OF A SUBSIDIARY (CONTINUED)

18.2 Net assets sold on disposal of subsidiary

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

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

19 COMMITMENTS

	2019 US$	2018 US$
19.1 Capital commitments		
Authorised and contracted for	2 750 431	194 664
Authorised and not contracted for	25 000 000	16 760 061
	27 750 431	**16 954 725**

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

20 MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Company settled loans from RedRock Capital Limited and Blue Air Capital Limited ("the Lenders") that had been granted in 2017 and 2019. The loans and interest thereon amounting to US$3.6million, were all settled through issue of shares by the Company as part of the transaction disclosed in note 13.6.2 .

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

21 CONTINGENT LIABILITY

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

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

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

22 DIVIDEND

No dividend was declared by the Company during the year (2018: US$nil).

23 EVENTS AFTER THE REPORTING DATE

Global outbreak of COVID-19

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

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

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

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

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

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

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

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

The Group's assessment of the current COVID -19 outbreak on going concern is documented in the Commentary under Global Outbreak of COVID-19 and Going Concern Assessment on page 6.

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