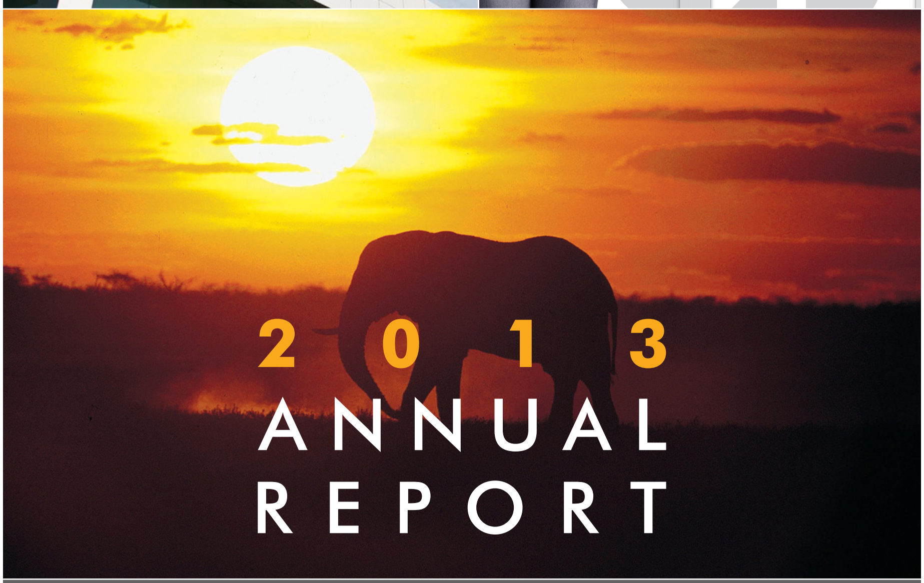
BRAINWORKS CAPITAL

A PRIVATE EQUITY INVESTMENT AND ADVISORY FIRM PRIMARILY FOCUSED ON ZIMBABWE



2013 ANNUAL REPORT

BRAINWORKS

CAPITAL

REGISTERED COMPANY

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Harare
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LEGAL ADVISORS

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6th Floor, Goldbridge
Eastgate Complex
Harare
Zimbabwe

ATHERSTONE & COOK
7th Floor, Mercury House
24 George Silundika Avenue
Harare
Zimbabwe

BANKERS

ECOBANK ZIMBABWE
2 Piers Road
Borrowdale
Harare
Zimbabwe

INVESTEE COMPANIES

AFRICAN SUN LIMITED
BCM GOLD (PRIVATE) LIMITED
DAWN PROPERTIES LIMITED
ECOBANK ZIMBABWE LIMITED
FML OIL COMPANY OF ZIMBABWE (PRIVATE) LIMITED
GETBUCKS FINANCIAL SERVICES LIMITED

AFRICAN SUN HOTELS AND RESORTS
BCM GOLD
Dawn Properties Limited
Ecobank The Pan African Bank
FML OIL COMPANY OF ZIMBABWE (PRIVATE) LIMITED
GetBucks

FML Oil's fleet of Scania trucks

VALUES STATEMENT

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

INTEGRITY

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

RESPECT

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

EXCELLENCE AND INNOVATION

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

TEAMWORK

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

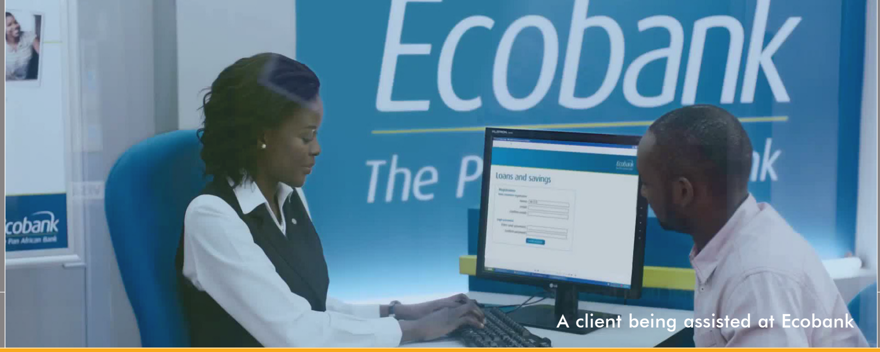
SHARING

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


An executive suite at African Sun's Crowne Plaza Monomatapa hotel in Harare, Zimbabwe

CONTENTS

These financial statements are presented in United States Dollars ("US$") and are rounded off to the next dollar.



A client being assisted at Ecobank

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

We are pleased to present the consolidated financial statements of Brainworks Capital Management (Private) Limited ("the Company or Brainworks") and its subsidiaries ("the Group") for the year ended 31 December 2013.

The year 2013 was characterised by anxiety because of general elections which were held on 31 July 2013 in Zimbabwe. Consequently, during the year there was not much scope for advisory activity and focus was on:

- Fundraising activities;
- Exploration of a listing on the Toronto Stock Exchange ("TSX") and the Zimbabwe Stock Exchange ("ZSE"); and
- Expansion of the Group's proprietary investment portfolio.

During this difficult year, however, the following milestones were achieved:

- The Company acquired 32.82% shareholding in African Sun Limited ("African Sun") through a secondary transaction that was completed on 6 November 2013. A further 10.32% of African Sun was acquired by year-end, and this triggered the requirement for an offer to minorities as prescribed by the ZSE to be completed in the second quarter of 2014. African Sun is an hotel operator with a portfolio of 17 hotels in Zimbabwe, Ghana and Nigeria.

- The Company acquired a 14.88% stake in the ZSE-listed Dawn Properties Limited ("Dawn Properties"), a real estate company that owns the largest portfolio of hospitality investment property in Zimbabwe.

- A foreign investor was secured for FML Oil Company of Zimbabwe (Private) Limited ("FML Oil") with Union African Special Investments Limited ("UASIL"), subscribing for 49% shareholding in FML Oil in a deal that was approved by the Reserve Bank of Zimbabwe's Exchange Control department on 3 September 2013. Consequently, a portion of funds advanced to FML Oil was converted to share capital with the rest converted to preference shares. The results of FML Oil are consolidated into Brainworks from this date on the basis of the 51% shareholding held.

- A foreign investor, Red Rock Capital ("Red Rock"), subscribed for 16.41% of the Company, injecting a total of US$ 6.0 million dollars into the Company, and a further US$ 2.5 million for 5.19% shareholding was subscribed for by Blue Air Capital ("Blue Air"), an associate of Red Rock, to bring the total funding from these investors to US$ 8.5 million.

- The total funding raised from the Pre-IPO Private Placement in June 2013 was US$ 17.5 million for the Company, an additional US$ 2.0 million for FML Oil, and US$ 4.4 million for Lengrah Investments (Private) Limited ("Lengrah Investments"), bringing the total amount raised in 2013 to US$ 23.9 million.

- The Company entered into a Transactional Agreement with a Canadian-listed entity, Rock Tech Lithium Inc. ("Rock Tech"), for a reverse takeover of Rock Tech by Brainworks and the eventual listing of Brainworks on the TSX.

- Brainworks was appointed as advisors to Atlas Mara Co-Nvest Limited ("Atlas Mara"), an emerging banking group focused on Africa and co-founded by Mr. Bob Diamond and Mr. Ashish Thakkar. During the second quarter of 2014, Brainworks successfully acted as advisors to Atlas Mara on the acquisition of controlling shareholding in African Banking Corporation of Zimbabwe Limited ("BancABC"), a regional banking group, by Atlas Mara. Atlas Mara is listed on the London Stock Exchange ("LSE"), and has US$ 325 million in cash available for investment.

OVERVIEW OF THE ZIMBABWE ECONOMIC ENVIRONMENT

Economic growth was subdued as the operating environment remained constrained by the following conditions:

- Liquidity shortages;
- Lack of tradable financial instruments;
- Absence of an active interbank market;

- The continued inability by the Reserve Bank of Zimbabwe ("RBZ") to be the lender of last resort; and
- Reduced foreign inflows due to poor export performance and reduced foreign direct investments.

Broad money supply was US$ 4.7 billion in December 2013, translating into a 6.8% year-on-year growth. Deposits remained short-term in nature, compounded by high funding costs. As a result the banking industry witnessed low asset creation as loans grew by only 5.1% compared to the 27.5% growth in 2012.

The Gross Domestic Product ("GDP") growth rate was revised downwards to 3.4% (2012: 4.4%), from an initial projection of 5%. This emanated from the increased liquidity shortages and the slow gross fixed capital formation. Depressed global commodity prices and the contagion effect on export revenues weighed down on the performance of the mining sector resulting in a 6.5% growth down from 8% recorded in 2012. The agriculture sector performance receded by 1.3% as both tobacco and maize had lower than projected harvests. Funding challenges, low product demand and obsolete machinery continue to have a negative impact on productive sector capacity utilisation levels which dropped to 39.6% from 44.9% in 2012.

The inflationary pressures however remained contained with the year-on-year rate closing at 0.3% (2012: 2.5%), reflecting, in part, low domestic demand and the weakening of the South African Rand ("ZAR") against the United States Dollar ("US$").

The economy is expected to grow by 6.4% in 2014 in terms of the Zimbabwean Government's economic projections on the back of the expected increasing activity in the mining sector, and value addition and beneficiation strategy in productive key sectors. Gross Domestic Product ("GDP") growth prospects will, however, be anchored on:

- Substantial flow of foreign direct investment;
- Improvements in commodity prices;
- Stability in international oil prices; and
- Improvements in the level of domestic aggregate demand.

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

OUR PLATFORM

The Group's investment perspective emphasises capital growth and, as such, the portfolio of investments is geared towards achievement of this objective.

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

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

1. PROPRIETARY PRIVATE EQUITY INVESTMENTS

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

BANKING SECTOR

INVESTEE COMPANY: ECOBANK ZIMBABWE LIMITED ("Ecobank" or "the Bank")

2013 PERFORMANCE HIGHLIGHTS

Ecobank has grown its net operating revenue by 48% year–on-year, on the back of fresh capital injection, increased trade finance activities, reduced cost of funds, and an increased customer base driven by a wider network of branches and Automated

Teller Machines ("ATMs"). The Bank continues to pursue an organic growth strategy buttressed by increased investment in human capital and distribution channels. The pursuit of this strategy has resulted in the Bank's operating costs rising by 35%. Profit before tax of US$ 2.47 million is a marked improvement on US$ 0.75 million for 2012. Total assets reached US$ 126.94 million, up 22% on the December 2012 position. This was attributed mainly to the 17% increase in deposits through more branches and the fresh capital injection made in June 2013. In a market characterised by major liquidity challenges, the Bank strategically focused on off-balance sheet fee-based financing structures as opposed to on-balance sheet lending.

In pursuit of this strategy, the Bank benefited from credit lines worth US$ 50.5 million made available by the Ecobank Transnational Incorporated Group ("Ecobank Group") and US$ 4.7 million from third party foreign banks used largely to finance letters of credit and guarantee transactions. In addition to being the main driver for fee income growth, this strategy has resulted in a significant improvement in the proportion of non-interest bearing deposits to total deposits from 41% to 59%. This translated into a reduction of the Bank's average cost of funds and improved net interest margins. A total of US$ 8.0 million was injected by Ecobank Transnational Incorporated into the Bank during the year to bring the Bank's core capital to US$ 35.7 million at the end of the year. The RBZ has extended the time frame for compliance with the new capitalisation levels of US$ 100 million to December 2020.

The Bank remains committed to upholding good corporate governance principles as it believes that good corporate governance enhances shareholder value. To this end, Ecobank will continue to strengthen its already comprehensive governance framework, which is characterised by a high level of independence in Board composition and functionality, transparency in disclosures and specific focus on strategic direction and oversight. The Bank strengthened its board by appointing Mr. James Shumbanhete as Finance Director. During the same period Mr. George Manyere, resigned from the Board, effective 23 May 2013. He will, however, serve as an alternate director to Mr. Walter Kambwanji. At the Group level the Ecobank Group appointed Mr. Albert Essien as Group Chief Executive Officer to replace Mr. Thierry Tanoh on 11 March 2014.

The Bank is positive about its prospects for growth and will pursue its growth strategy vigorously in 2014 with the main objective of moving Ecobank towards the ultimate goal of becoming one of the leading banks in the country.

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

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

The shareholding structure of Ecobank Zimbabwe is as follows:

Ecobank Transnational Incorporated	70.0%
Brainworks Capital Management (Private) Limited	29.4%
Ecobank Staff Share Trust	0.6%

INSURANCE SECTOR

INVESTEE COMPANY: BRAINWORKS LIFE ASSURANCE COMPANY OF ZIMBABWE LIMITED ("Brainworks Life")

PROGRESS UPDATE

The life assurance licence remains pending as the application submitted to the Insurance and Pensions Commission ("the Commission") has not yet yielded a conclusive response. However, at the beginning of 2014 the Commission requested for up-to-date documents in support of the application which were furnished. We are hopeful that we will satisfactorily address all the requirements and be licensed.

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

NAME OF DIRECTOR	NATIONALITY	TYPE OF DIRECTORSHIP
Mr. Walter Kambwanji	Zimbabwean	Non-Executive Chairman
Mr. Alwyn Scholtz	South African	Non-Executive Director
Mr. Cornel Vermaak	South African	Non-Executive Director
Ms. NanaAma Botchway-Dowuona	Ghanaian	Non-Executive Director
Mr. George Manyere	Zimbabwean	Non-Executive Director
Mr. Wayne Waterworth	Zimbabwean	Non-Executive Director

The shareholding structure of Brainworks Life is as follows:

Brainworks Capital Management (Private) Limited 100%

CONSUMER FINANCE SECTOR

INVESTEE COMPANY: GETBUCKS FINANCIAL SERVICES ZIMBABWE LIMITED ("GetBucks Zimbabwe")

2013 PERFORMANCE HIGHLIGHTS

GetBucks Zimbabwe disbursed a total value of US$ 3.9 million loans to over 7 700 customers. Profitability has been increasing, and as at 31 December 2013, Brainworks share of profits was US$ 300 000, against an initial investment of US$ 450 000, and within 18 months of commencing business. Profitability is projected to increase going forward. Sales achieved 92% of budget with an average loan size of US$ 511. The company is now targeting more private payrolls as the current book is predominantly civil servants. The current branch network of 10 branches is not likely to be increased significantly as the company focus has shifted to internet services points.

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

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

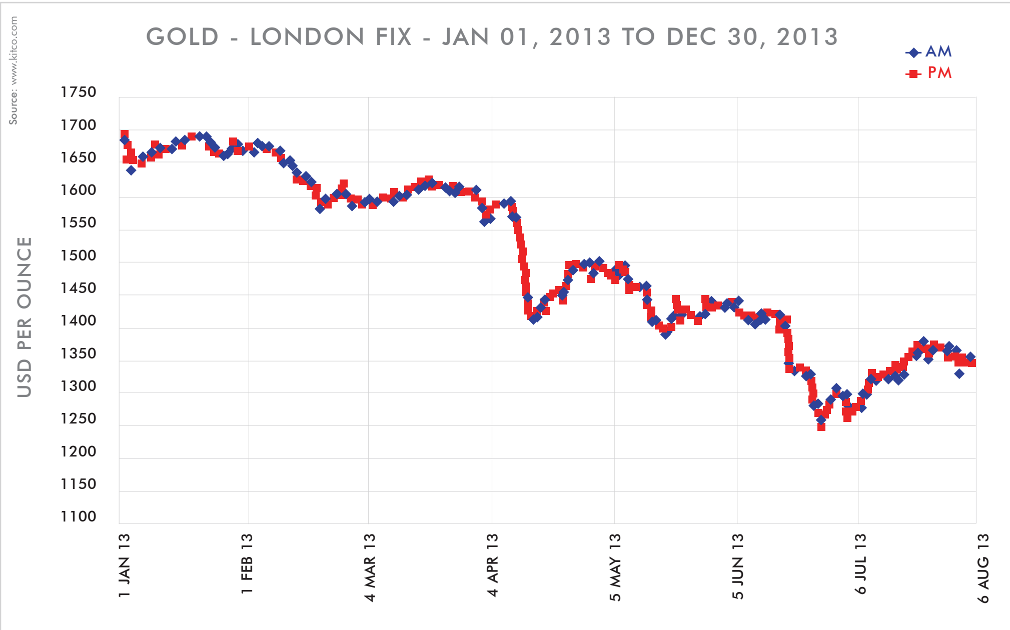
The shareholding structure of GetBucks Zimbabwe is as follows:

GetBucks Limited	55%
Brainworks Capital Management (Private) Limited	40%
Brainworks Nominees	5%

GOLD EXPLORATION AND MINING SECTOR

INVESTEE COMPANY: BCM GOLD (PRIVATE) LIMITED ("BCM Gold")

There was a downturn in activity during the year with a wait–and-see approach adopted in relation to the political situation in Zimbabwe. Government has reviewed the mining fees and there has been a general reduction in the applicable fees of about 20%. The gold price has recovered slightly this year and is expected to increase, although erratically, to over US$ 1 400 per ounce this year.



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

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

The shareholding structure of BCM Gold is as follows:

Brainworks Capital Management (Private) Limited	100%

OIL DISTRIBUTION AND LOGISTICS SECTOR

INVESTEE COMPANY: FML OIL COMPANY OF ZIMBABWE (PRIVATE) LIMITED ("FML Oil")

2013 PERFORMANCE HIGHLIGHTS

FML undertook consignment fuel trading for various suppliers including South African and local fuel suppliers. This enabled the company to refine its systems and processes for trading. During the period, these trades involved consignments of paraffin, liquefied petroleum gas, diesel and petrol. Going forward, FML Oil will focus on fuel logistics. A foreign investor, UASIL, an affiliate of Quadrant Capital (a New York, USA-based investment firm), injected US$ 2.0 million into the business for a 49% shareholding. US$ 1.35 million of the US$ 2.0 million is in the form of preference shares redeemable after 31 December 2014.

As part of this investment, Brainworks converted US$ 308 000 of the amount that had been previously advanced to FML Oil to match the foreign investment and ensure that Brainworks retains 51% shareholding in the company. The approval for this investment was obtained from the Reserve Bank of Zimbabwe Exchange Control department on 3 September 2013. FML Oil has since been consolidated in the financial statements of Brainworks.

FML Oil has increased its logistics capacity from the current two fuel tankers to ten tankers to take advantage of opportunities in this sector. Suitable premises are being sought to house the logistics and liquefied petroleum gas trading business, and to ensure that appropriate infrastructure is in place to run this business professionally and profitably.

During the first quarter of 2014, Mr. Cyril Moyo resigned to pursue other business interests. Mr. Wayne Waterworth was appointed in his stead.

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

NAME OF DIRECTOR	NATIONALITY	TYPE OF DIRECTORSHIP
Mr. George Manyere	Zimbabwean	Non-Executive Chairman
Mr. Walter Kambwanji	Zimbabwean	Non-Executive Director
Mr. Wayne Waterworth	Zimbabwean	Managing Director
Mr. Adam Jiwan	Canadian	Non-Executive Director
Mr. Weston Quasha	American	Non-Executive Director

The shareholding structure of FML Oil is as follows:

Brainworks Capital Management (Private) Limited	51%
UASIL	49%

HOSPITALITY AND REAL ESTATE SECTOR

INVESTEE COMPANY: AFRICAN SUN LIMITED ("ASL" or "African Sun")

2013 PERFORMANCE HIGHLIGHTS

The acquisition of an interest in African Sun was achieved through a series of transactions. An initial 32.82% was acquired from a vehicle controlled by the Chief Executive Officer of African Sun, Dr. Shingi Munyeza, in a share swap and cash transaction that saw Nhaka Trust acquire 77.75 million Brainworks shares. Brainworks assumed 100% ownership of Criben Investments (Private) Limited, Riustrix Investments (Private) Limited and Cotition Investments (Private) Limited which collectively own 32.82% of ASL. Subsequent to these transactions, a further 10.32% was acquired triggering a mandatory offer to minorities. The process relating to the mandatory offer to minorities is being addressed through the relevant ZSE and corporate governance processes, and Brainworks will complete this process in the second quarter of 2014. The shareholding in African Sun is held through Lengrah Investments (Private) Limited ("Lengrah Investments"), a company incorporated in Zimbabwe, which is 56% owned by Brainworks, 22% by the Jersey-based Mudhut Trading and a further 22% by the Australia-based Wallal Superannuation Fund.

Since the acquisition, African Sun has posted an operating loss to 31 December 2013 of US$ 349 000, as a result of subdued local demand. Performance is, however, expected to improve as the year progresses due to various initiatives that are being planned, including the disposal of ASL's remaining 16% stake in Dawn Properties, which is expected to realise US$ 5.5 million. ASL is exploring various options to optimise its portfolio of hotels with a view to disposing of non-performing hotels.

African Sun's board of directors is comprised of the following members:

NAME OF DIRECTOR	NATIONALITY	TYPE OF DIRECTORSHIP
Mr. Bekithemba Nkomo	Zimbabwean	Non-Executive Chairman
Dr. Shingi Munyeza	Zimbabwean	Chief Executive Officer
Mr. Nigel Mangwiro	Zimbabwean	Executive Director
Mr. Nonhlahla Ramikosi	South African	Non-Executive Director
Mr. Alex Makamure	Zimbabwean	Non-Executive Director
Mr. Emmanuel Fundira	Zimbabwean	Non-Executive Director
Mr. Walter Kambwanji	Zimbabwean	Non-Executive Director
Mr. Timothy Nuy	Dutch	Non-Executive Director
Mr. Stewart Cranswick	Australian	Non-Executive Director

The shareholding structure of African Sun is as follows:

Various Others	54%
Lengrah Investments	46%

INVESTEE COMPANY: DAWN PROPERTIES LIMITED ("Dawn Properties")

2013 PERFORMANCE HIGHLIGHTS

Lengrah Investments acquired from African Sun a 12% shareholding in Dawn Properties. Further open market acquisitions brought the closing shareholding to 14.88% at year end. Dawn Properties owns and manages a number of hotel properties that are currently leased to African Sun. In the nine months to 31 December 2013, the company has posted an operating profit of US$ 1 159 890, however, Brainworks' investment, through Lengrah Investments, was effective from 6 October 2013.

Dawn Properties's board of directors is comprised of the following members:

NAME OF DIRECTOR	NATIONALITY	TYPE OF DIRECTORSHIP
Mr. Phibion Gwatidzo	Zimbabwean	Non-Executive Chairman
Mr. Justin Dowa	Zimbabwean	Chief Executive Officer
Mr. George Manyere	Zimbabwean	Non-Executive Director
Mr. Dirk Goldwasser	American	Non-Executive Director
Mr. Murisi Mukonoweshuro	Zimbabwean	Non-Executive Director
Mr. Bekhithemba Ndebele	Zimbabwean	Non-Executive Director
Mr. Richard Makoni	Zimbabwean	Non-Executive Director

The shareholding structure of Dawn Properties is as follows:

Various Others	69%
African Sun Limited	16%
Lengrah Investments	15%

2. ADVISORY SERVICES

Brainwork's advisory license was renewed by the Securities and Exchange Commission of Zimbabwe for the 2013 financial year, and renewal for 2014 has since been granted.

During the first half of the year, the Company acted as a financial advisor for a number of indigenisation transactions in Zimbabwe, which involved leading mining companies and primarily the Government of Zimbabwe. The transactions reached detailed term sheet stage, pending the signing of legal agreements; however these were still open as at year-end pending the Government of Zimbabwe's determination of a way forward to satisfactory closure. Below is a list of the transactions:

- US$ 971 million Zimbabwe Platinum Mines (Private) Limited disposal of 51% shareholding to Indigenous Entities led by the Government of Zimbabwe;
- US$ 550 million Mimosa Mining Company (Private) Limited disposal of 51% shareholding to Indigenous Entities led by the Government of Zimbabwe;
- US$ 142 million empowerment deal between Anglo American Platinum Limited and indigenous entities led by the Government of Zimbabwe;
- US$ 28 million empowerment deal between Pretoria Portland Cement Limited and Indigenous Entities led by the Government of Zimbabwe; and
- US$ 30 million empowerment deal between Caledonia Mining Corporation Limited and Indigenous Entities led by the Government of Zimbabwe.

As highlighted above, post-signing of the detailed term sheets, during the first half of the year, between the Government of Zimbabwe and various foreign-owned mining companies seeking to comply with Zimbabwe's indigenisation laws, various government regulatory bodies could not agree on the implementation of the term sheets. The term sheets were meant to pave the way for substantive agreements to be drawn-up, which would have led to closure of the transactions.

The resultant evaluations of the term sheets advised by Brainworks led to widespread media coverage of these issues and, in some cases, some sections of the media attempted to turn the participation of Brainworks on these mandates into a scandal. Consequently, the Government is still reviewing the term sheets, as well as exploring other methods of achieving its objectives, and in that regard, transactions totalling US$ 1.8 billion, in which the Company has advised, remain open. The fees that would have been earned by the Company on these transactions were not accrued during the 2013 financial year, pending the Government of Zimbabwe's decision on the way forward to close the deals.

2014 promises to be a busy year for the Company in respect of advisory mandates after it was appointed to act as a key advisor to Atlas Mara on various banking sector investment opportunities on the African continent.

FINANCING

Financial strength is critical to Brainworks achieving its investment objectives, and in that regard, the Company finances its business through the following methods:

TERM FINANCE

The Company raised additional term financing to the tune of US$ 7.0 million in acquisition finance of up to 12 months. This form of financing is useful to the Company's business model since it enhances returns for shareholders through an optimal capital structure. The Company generally pursues this type of financing, pending a planned share issuance.

The Company's ability to repay the term financing was significantly enhanced by the successful US$ 30 million Pre-IPO Private Placement discussed below.

PRIVATE PLACEMENT OF NEWLY ISSUED ORDINARY SHARES

The Company launched a private placement of shares in November 2012 targeting US$ 30 million. As at 31 December 2013, US$ 17.5 million had been subscribed with US$ 8.9 million from local pension funds and institutional investors and US$ 8.6 million from foreign investors. A further US$ 2.0 million was subscribed by a foreign investor, UASIL, into FML Oil in a deal that was approved by the RBZ Exchange Control department on 3 September 2013. An additional US$ 4.4 million was injected into Lengrah Investments.

INITIAL PUBLIC OFFERING (IPO)

The Company is yet to be listed on any stock exchange, though the process to list has commenced. An offer was made by Rock Tech, a Canadian-listed entity to acquire 100% of the issued share capital of Brainworks in exchange for 95% of Rock Tech. On completion of the process, Brainworks will be listed through a reverse takeover. The required processes to achieve this are underway. The Company awaits the critical approvals from Exchange Control in order for the process to progress. Indications are that Exchange Control authorities would prefer a local secondary listing for them to sanction the reverse takeover.

COMPLIANCE WITH ZIMBABWE'S INDIGENISATION LAWS

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

SHAREHOLDING AND BROAD-BASED LOCAL OWNERSHIP

Below is the shareholding of the Company as at the date of this letter, which shows that the Company was 61.6% locally owned and thereby compliant with Zimbabwe's Indigenisation and Economic Empowerment Act (Chapter 14:33):

#	SHAREHOLDER	# OF SHARES	% SHAREHOLDING	CLASSIFICATION
1	ADC Financial Services and Corporate Development	87 200 000	18.09%	Foreign
2	Red Rock Capital	75 000 000	15.56%	Foreign
3	Blue Air Capital	25 000 000	5.19%	Foreign
	Total Foreign	**187 200 000**	**38.84%**	
4	Zahra Investments Trust	25 000 000	5.19%	Indigenous
5	Matthew Daniels Trust	25 000 000	5.19%	Indigenous
6	TDC Investment Trust	15 000 000	3.11%	Indigenous
7	AWT Investment Trust	15 000 000	3.11%	Indigenous
8	Brainworks Investments Trust	10 000 000	2.08%	Indigenous
9	Green Valley Investment Trust	10 000 000	2.08%	Indigenous
	Total Management	**100 000 000**	**20.75%**	
10	Fintrust Pension Fund	67 241 425	13.95%	Indigenous
11	Carnaudmetalbox Group Pension Fund	9 266 667	1.92%	Indigenous
12	Brainworks Capital Pension Fund	485,375	0.10%	Indigenous
13	Brainworks Capital Pension Fund - Nominees	3 600 000	0.75%	Indigenous
14	PTC Self Insurance Plan	8 533 385	1.77%	Indigenous
15	Comarton Preservation Fund	4 836 890	1.00%	Indigenous
16	Archer Clothing Manufacturers (Private) Limited Pension Fund	1 360 000	0.28%	Indigenous
17	Christian Brothers College Pension Fund	1 966 667	0.41%	Indigenous
18	Comarton Consultants Pension Fund	1 440 000	0.30%	Indigenous
19	Jacob Bethel (Zimbabwe) Corporation Pension Fund	1 500 000	0.31%	Indigenous
20	Brands Africa Pension Fund	1 161 329	0.24%	Indigenous
21	United Styles Pension Fund	180 000	0.04%	Indigenous
22	Femina Pension Fund	265 000	0.05%	Indigenous
23	Commercial and Industrial Holdings Pension Fund	1 783 333	0.37%	Indigenous
24	Style International Pension Fund	110 000	0.02%	Indigenous
25	Marathon Pension Fund	759 000	0.16%	Indigenous
26	ZITF Pension Fund	800 000	0.17%	Indigenous
27	Zimbabwe Agricultural Society Pension Fund	500 000	0.10%	Indigenous
	Total Pension Funds	**105 789 071**	**21.95%**	
28	Spiral Farming (Private) Limited	3 319 132	0.69%	Indigenous
29	Comarton Consultants (Private) Limited	6 866 666	1.42%	Indigenous
30	Atchison Actuarial Services Company (Private) Limited	1 000 000	0.21%	Indigenous
31	Nhaka Trust	77 750 000	16.13%	Indigenous
	Total Other Institutional	**88 935 798**	**18.45%**	
	TOTAL	481 924 869	100.00%	

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

MANAGEMENT REMUNERATION

As an investment company, managers are incentivised on the performance of investments in line with standard international practice. In that regard, below are the details of how management are remunerated and incentivised for performance:

- Management have a minimum service contract of five years with the Company.
- Management have a fixed salary which is subject to review on the 5th anniversary of employment.
- Management are not provided with company cars and/or any allowances.
- Management is entitled to a performance bonus equivalent to 20% on capital gains realised above an internal rate of return of 10% on the Company's investments ("performance bonus"). The performance bonus is calculated and paid on an investment-by-investment basis as and when the Company has successfully exited the investments.
- Management is entitled to an annual bonus equivalent to 20% advisory fee income after deducting operating expenses.

NON-EXECUTIVE DIRECTORS REMUNERATION

Non-executive directors, comprising six members, were paid total fees for the year of US$ 22 650 for their services as directors.

FINANCIAL RESULTS

Despite the Group's involvement in significant advisory transactions during the year, the fees that would have been earned by the Group on these transactions was not accrued during the 2013 financial year pending the Government of Zimbabwe's decision on the way forward to close the deals. As a result, total revenue of US$ 2.4 million (2012: US$ 3.0 million) was generated from unrealised capital gains on listed securities, dividends and interest income, compared to operating and finance costs of US$ 3.9 million (2012: US$ 2.7 million). This resulted in the Group posting a loss before tax of US$ 1.6 million for the year (2012: profit before tax of US$ 0.3 million).

Operating costs amounted to US$ 1.8 million (2012: US$ 743 000) with growth largely driven by the following: (i) costs relating to FML Oil of US$ 593 000 which are now consolidated in the Group's financials; (ii) costs related to the execution of investments (African Sun, Dawn Properties etc.) during the year, namely due diligence and legal costs; (iii) costs related to the placement of shares under the US$ 30 million Pre-IPO Private Placement; and (iv) costs related to the initiation of the planned TSX-listing of the Company.

Finance costs of US$ 2.1 million (2012: US$ 2.0 million) were incurred and this related to acquisition finance, as well as, short-term financing raised to finance investments pending closure of the US$ 30 million Pre-IPO Private Placement.

The statement of financial position of the Group grew to US$ 49.9 million from US$ 26.0 million as at 31 December 2012, which was driven by the successful investment of proceeds raised from the US$ 30.0 million Pre-IPO Private Placement.

The Group's assets comprised primarily of the following: (i) investments in associates which increased to US$ 33.4 million from US$ 15.3 million; (ii) investments in financial instruments held at fair value through profit and loss of US$ 7.2 million, the same as the previous year; (iii) investments in properties and equipment of US$ 2.8 million from US$ 0.1 million the previous year; (iv) other receivables of US$ 4.7 million from US$ 2.3 million in the previous year; and (v) deferred tax asset of US$ 1.4 million from US$ 0.5 million in the previous year. The Company is confident that sufficient taxable income will be generated in the future to take advantage of the deferred tax asset. Shareholders' funds grew from US$ 13.6 million in 2012 to US$ 28.9 million and this was driven by the successful share placement under the Pre-IPO Private Placement.

DIRECTORATE

The composition of the board of directors of the Company is as follows:

NAME OF DIRECTOR	NATIONALITY	TYPE OF DIRECTORSHIP
Mr. Richard Muirimi	Zimbabwean	Non-Executive Chairman
Mr. Alwyn Scholtz	South African	Non-Executive Director
Mr. Cornel Vermaak	South African	Non-Executive Director
Mr. NanaAma Botchway-Dowuona	Ghanaian	Non-Executive Director
Mr. George Manyere	Zimbabwean	Managing Director
Mr. Walter Kambwanji	Zimbabwean	Executive Director
Mr. Wayne Waterworth	Zimbabwean	Executive Director

Mr. Vulindlela Ndlovu and Mr. Dirk Harbecke resigned from the board during the year. The resignations were necessitated by roles which they assumed which could potentially cause conflicts of interest with their continued membership on the Brainworks board.

OUTLOOK

Brainworks continues to seek value creative investment and advisory opportunities to enhance growth and returns for our shareholders. With regards to our advisory business: the advisory role that Brainworks has successfully secured with Atlas Mara is expected to further deepen our recognition as an emerging advisory firm on the African continent. Our strategy of co-investing with strong international operating partners is showing significant signs of success as we are gradually seeing a growth in profitability in our investee companies, particularly in our commercial banking and consumer finance businesses. The Company will invest significant efforts in the coming year to attract significant international operating partners for its recent investments in hospitality and real estate, and we expect, in the medium-term, a replication of the successful turnaround that we are witnessing with our financial services businesses.

We are hopeful that our efforts to achieve a listing of the Company on the TSX and ZSE will be concluded in the coming year, and as a result, will usher in a new era in the Company's development.

We look forward to 2014 with continued optimism.

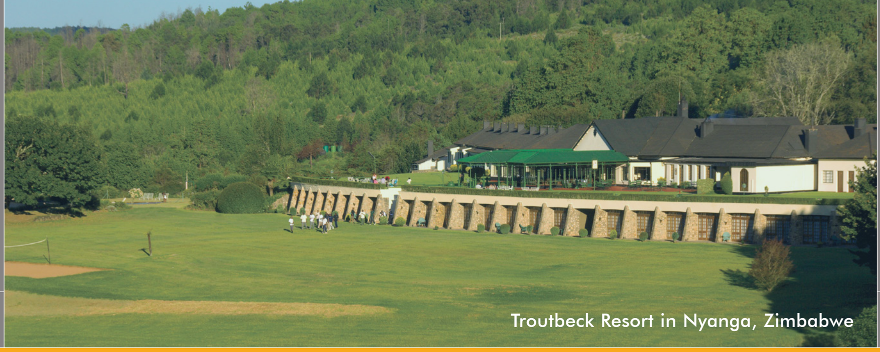
THANK YOU

We would like to thank our staff, directors, shareholders and other stakeholders for their continued support in the Company's development.

Yours sincerely

Mr. George Manyere
Managing Director

Mr. Richard Muirimi
Non-Executive Chairman



Troutbeck Resort in Nyanga, Zimbabwe

DIRECTORATE

DIRECTORS' BIOGRAPHIES

Brief biographies of the Directors are set out below.

MR. RICHARD MUIRIMI
ZIMBABWEAN | NON-EXECUTIVE CHAIRMAN

Richard Muirimi is the founder and current Managing Director of Comarton Consultants (Private) Limited, a leading pension fund services firm in Zimbabwe, administering thirty or more pension funds. Before founding Comarton, Mr. Muirimi was the Non-Executive Chairman of Kingdom Financial Holdings Limited ("KFHL") from its formation in 1995 to 2005. During that period, he guided KFHL through its start-up stage to its initial public offering on the ZSE and the subsequent establishment of subsidiaries. Before his work at KFHL, he held senior positions in Zimnat Life Assurance Company and AON/Minet Insurance Brokers. Mr. Muirimi was the Chairman of the Zimbabwe Association of Pension Funds from 2002 to 2004, and he has been the Deputy Chairman of the Insurance and Pensions Commission since November 2005. In 1987, he graduated as a fellow of the Executive Development Program with the University of Zimbabwe.

MR. GEORGE MANYERE
ZIMBABWEAN | MANAGING DIRECTOR

George Manyere is the Managing Director and Chief Investment Officer of Brainworks. Before founding Brainworks in 2008, Mr. Manyere was an investment professional with the International Finance Corporation (IFC), headquartered in Washington, D.C., where he invested in excess of US$ 600 million in sub-Saharan Africa, managed a portfolio of investments in excess of US$ 400 million and represented the IFC on several investee company boards. Mr. Manyere led the acquisition of a 28% controlling stake in Premier Finance Group Limited (now Ecobank), a bank at which he was responsible for drawing in US$ 6 million of investment from foreign investors (including African Development Corporation), as well as a major restructuring and recapitalisation after a US$ 10 million investment from the pan-African banking group Ecobank Transnational Incorporated. He holds a Bachelor of Accounting Science, Honours in Accounting Science and a Certificate in the Theory of Accounting from the University of South Africa, and has completed various international courses in finance, strategy and investment banking.

MR. WALTER KAMBWANJI
ZIMBABWEAN | CHIEF FINANCE OFFICER

Walter Kambwanji co-founded Brainworks and is the Chief Finance Officer. He is a Chartered Accountant with significant experience in finance and operations in Zimbabwe and internationally. Before co-founding Brainworks in 2008, he was a professional in the finance department of HSBC in London, and previously had held posts as finance director of various institutions in Zimbabwe, including BancABC Zimbabwe Limited, Renaissance Merchant Bank Limited and Murray & Roberts Zimbabwe Limited. Mr. Kambwanji was seconded to Premier Bank in April 2009 to undertake the restructuring and strengthening of the banking group's operations. Notable achievements at Premier Bank include the successful rationalisation of operations and staff, restructuring of the balance sheet, and containment of costs. He holds a Bachelor of Accounting Science from the University of South Africa, and a Postgraduate Diploma in Applied Accounting from the University of Zimbabwe. He is a member of the Institute of Chartered Accountants of Zimbabwe, and has completed various international courses in finance, strategy and banking.

DIRECTORATE

MR. ALWYN SCHOLTZ
SOUTH AFRICAN | NON-EXECUTIVE DIRECTOR

Alwyn Scholtz is the founding partner of Scholtz Attorneys, a Pretoria-based firm specialising in commercial law and corporate finance. Mr. Scholtz has significant advisory experience in corporate deals, capital raising and listing on stock exchanges, including acting for the acquiror on the US$ 300 million acquisition of a majority interest in a South African mining company. He currently acts as the Company Secretary for a major shareholder of one the largest South African agricultural companies listed on the Johannesburg Stock Exchange. He was previously a Partner at Glyn & Marais Inc. (previously Jowell Glyn & Marais Inc.), a law firm in Johannesburg. He holds a Bachelor of Commerce in Law and a Bachelor of Laws (LLB) from the University of Pretoria.

MR. CORNEL VERMAAK
SOUTH AFRICAN/SWISS | NON-EXECUTIVE DIRECTOR

Cornel Vermaak is currently the Chief Executive Officer of Clearwater Investments, a Switzerland-based and regulated financial services company specialising in asset management, wealth planning and structuring. Prior to founding Clearwater, Mr. Vermaak was a senior professional within the Credit Suisse Group of companies, servicing the Swiss private banking arena. He has worked in many global jurisdictions in the trust and financial planning arena, fulfilling the role of trustee, and being responsible for regulatory, management and other issues. He practiced law as an admitted attorney of the Supreme Court of South Africa, and is a holder of a Bachelor of Commerce in Law, Bachelor of Laws (LLB) and a Higher Diploma in Tax. He is also a qualified Estate and Trust Practitioner.

MS. NANAAMA BOTCHWAY-DOWUONA
GHANAIAN | NON-EXECUTIVE DIRECTOR

NanaAma Botchway-Dowuona has significant experience in Legal and Private Equity, having worked as an M&A lawyer in New York prior to returning to Ghana in 2002. Ms Botchway-Dowuona has practiced in Accra as a corporate lawyer advising large corporate clients on foreign direct investments in Ghana. Most recently she worked as the Chief Operating Officer of the Kingdom Zephyr Africa Management Company, a premier African private equity management company, which manages two pan-African private equity funds with over US$ 600 million in capital commitments. She currently consults as a legal and strategic advisor in West Africa.

MR. WAYNE WATERWORTH
ZIMBABWEAN | EXECUTIVE DIRECTOR/CHIEF MINING SPECIALIST

Wayne Waterworth is currently the Managing Director of FML Oil, a subsidiary of Brainworks. An engineer by profession, Wayne has significant experience in the mining sector in Zimbabwe. Prior to joining Brainworks Capital, he was the Managing Director of Falcon Gold Limited, a ZSE-listed gold mining company, a role he assumed in 2008. Mr. Waterworth has worked in Europe and in various African countries including South Africa, Kenya, Zimbabwe and Tanzania. He is a highly experienced professional with more than 20 years' experience in senior general and technical management roles. He has a proven track record in a variety of industrial and commercial and Turn Key projects in the mining sectors, petrochemicals, and large and small-scale construction sectors. He is well-versed in local international standards, regulations and codes of practice and has sat on various technical committees. At Brainworks Capital, he is also responsible for the technical evaluation of the business opportunities, and will assist the Company's investee companies in strengthening their technical operations and enhancing shareholder value. He holds a Bachelor of Science in Electrical Engineering, and is a member of the European Federation of National Engineering Associations 2001.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Brainworks Capital Management (Private) Limited, comprising the consolidated statement of financial position at 31 December 2013, and the consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zimbabwe (Chapter 24:03). The Directors are responsible for preparing the directors' report and the financial statements in accordance with applicable laws and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") which is the norm in Zimbabwe.

The Group's consolidated financial statements are required by law to give a true and fair view of the state of its affairs, and of the profit or loss for that period. In preparing these consolidated financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy, at any time the financial position of the Group and enable them to ensure that the consolidated financial statements comply with the Companies Act, (Chapter 24:03). The Directors have a general responsibility for taking such steps, as are reasonably open to them, to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. *Refer to the Letter to Shareholders page 14 for the composition of the Board of Directors.*

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as, the preparation of the supplementary schedules included in these consolidated financial statements.

The Directors have made an assessment of the ability of the Group to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated annual financial statements

The consolidated annual financial statements of the Group, as identified in the first paragraph, were approved by the board of director(s) on 29 May 2014 and signed by:

Mr. Walter Kambwanji
Chief Finance Officer/Company Secretary
29 May 2014

Mr. Alwyn Scholtz
Audit Committee Chairman
29 May 2014

BOARD COMMITTEES

INVESTMENT COMMITTEE

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

The Investment Committee is comprised of the following members:

- Mr. Cornel Vermaak (Chairman);
- Mr. Richard Muirimi; and
- Ms. NanaAma Botchway-Dowuona.

AUDIT COMMITTEE

The Audit Committee is a sub-committee of the board and its role is to oversee the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, and the Company's financial reporting statements. The Audit Committee's objectives include assisting the Directors in meeting their responsibilities in respect of the Company's continuous financial disclosure obligations, and overseeing the work of the Company's external auditors.

The Audit Committee is comprised of the following members:

- Mr. Alwyn Scholtz (Chairman); and
- Mr. Cornel Vermaak.

Mr. Vulindlela Ndlovu resigned during the year.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is a sub-committee of the board and its role is to offer recommendations to the board on the remuneration policy that applies to Executive Directors and senior employees, and is also responsible for identifying candidates to fill vacancies on the board, as and when they arise, and nominating them for approval by the board.

The Remuneration and Nomination Committee is comprised of the following members:

- Mr. Richard Muirimi (Chairman); and
- Mr. Cornel Vermaak.

Mr. Vulindlela Ndlovu and Mr. Dirk Harbecke resigned during the year.

The Executive Directors attend all committee meetings as invitees.

REPORT OF THE INDEPENDENT AUDITOR

KPMG

To the members of Brainworks Capital Management (Private) Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Brainworks Capital Management (Private) Limited, which comprise the consolidated statement of financial position as at 31 December 2013, statements of profit and loss and other comprehensive income, changes in equity and the cash flows for the period then ended, and notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 20 to 48.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and in the manner required by the provisions of the Zimbabwe Companies Act (Chapter 24:03), and for such internal control as Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements present a true and fair view of the consolidated financial position of Brainworks Capital Management (Private) Limited as at 31 December 2013, and of its consolidated financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards in the manner required by the Zimbabwe's Companies Act (Chapter 24:03).

KPMG

KPMG Chartered Accountants (Zimbabwe)
Harare
29 May 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	NOTE	31-DEC-13 US$	31-DEC-12 US$
ASSETS			
Cash and cash equivalents	10	179 067	16 354
Financial instruments held at fair value through profit and loss	11	7 243 986	7 259 234
Receivables	12	4 742 777	2 341 569
Investment in subsidiaries	13	-	689 905
Investment in associates	14	33 469 599	15 312 014
Deferred tax asset	15	1 462 073	470 437
Property and equipment	16	2 789 557	59 085
TOTAL ASSETS		**49 887 059**	**26 148 598**
SHAREHOLDERS' EQUITY			
Equity attributable to owners of the parent			
Share capital	19	45 692	31 523
Share premium	19	25 603 000	12 646 625
Unalloted capital	19	2 500 000	-
Non distributable reserve	20	117 664	-
Retained earnings		633 599	983 875
		28 899 955	**13 662 023**
Non-controlling interest		6 491 922	-
TOTAL EQUITY		**35 391 877**	**13 662 023**
LIABILITIES			
Borrowings	17	13 547 149	12 459 596
Other liabilities	18	948 033	26 979
TOTAL LIABILITIES		**14 495 182**	**12 486 575**
TOTAL EQUITY AND LIABILITIES		**49 887 059**	**26 148 598**

Mr. Walter Kambwanji
Chief Finance Officer/Company Secretary
29 May 2014

Mr. Alwyn Scholtz
Audit Committee Chairman
29 May 2014

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTE	31-DEC-13 US$	31-DEC-12 US$
Revenue from oil distribution and logistics		2 511 891	-
Cost of sales from oil distribution and logistics		(2 347 866)	-
Gross profit		**164 025**	**-**
Fee income		-	692 216
Interest income		122 305	-
Share of associate income		608 191	39 00
Dividend income		237 568	74 135
Net gain from financial instruments at fair value through profit and loss	6	1 271 437	2 268 016
Total revenue		**2 403 526**	**3 073 367**
Directors' fees		22 650	-
Transaction costs		-	38 660
Audit and legal fees		117 059	19 985
Other operating expenses	7	1 670 265	684 738
Total operating expenses		**1 809 974**	**743 383**
Operating profit before finance costs		**593 552**	**2 329 984**
Finance costs	8	2 199 565	2 012 250
(Loss)/profit before tax		**(1 606 013)**	**317 734**
Tax credit	9	805 019	255 024
(Loss)/profit after tax		**(800 994)**	**572 758**
Other comprehensive income		-	-
Total comprehensive (loss)/income		**(800 994)**	**572 758**
Loss attributable to:			
Owners of the parent		(560 256)	-
Non-controlling interest		(240 738)	-
Total comprehensive (loss)/income		**(800 994)**	**572 758**
Earnings per share (cents)			
Basic earnings per share	23	(0.20)	0.19
Diluted earnings per share	23	(0.20)	0.19

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	31-DEC-13 US$	31-DEC-12 US$
Cash flows from operating activities		
(Loss)/profit before tax	**(1 606 013)**	**317 734**
Adjust for:		
Depreciation	35 701	16 090
(Profit)/loss on disposal	(140)	-
Unrealised gains on financial instruments at fair value through profit or loss	(1 271 437)	(2 268 016)
Interest expense	2 182 034	2 012 250
Interest income	(122 305)	-
	(782 160)	**78 058**
Changes in other liabilities	1 379 091	6 556 489
Changes in receivables	(2 973 871)	(1 789 273)
Cash (utilised)/generated in operations	(2 376 940)	4 845 274
Interest received	122 305	-
Interest paid	(899 167)	-
Net cash from operating activities	**(3 153 802)**	**4 845 274**
Cash flows from investing activities		
Acquisition of unlisted investments	(2 466 224)	(489 000)
(Acquisition)/disposal of listed investments	(16 584 283)	(5 843 694)
Purchase of property and equipment	(2 582 674)	(4 801)
Disposal of property and equipment	140	-
Net cash used in investing activities	**(21 633 041)**	**(6 337 495)**
Cash flows from financing activities		
Proceeds from issue of shares	26 426 017	1 326 899
Proceeds from long-term borrowings	3 211 722	-
Repayment of borrowings	(4 777 453)	(331 478)
Net cash from financing activities	**24 860 286**	**995 421**
Net increase in cash and cash equivalents	73 443	(496 799)
Cash and cash equivalents at beginning of period	105 624	513 153
Cash and cash equivalents at end of period	**179 067**	**16 354**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	SHARE CAPITAL US$	SHARE PREMIUM US$	NON-DISTRIBUTABLE RESERVE US$	UNALLOTED CAPITAL US$	RETAINED EARNINGS US$	ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT US$	NON-CONTROLLING INTEREST US$	TOTAL US$
31 December 2012								
Balance at 1 January 2012	30 130	11 321 120	-	-	411 116	11 762 366	-	11 762 366
Issue of shares	1 393	1 325 506	-	-	-	1 326 899	-	1 326 899
Total comprehensive income for the year	-	-	-	-	572 759	572 759	-	572 759
Balance at 31 December 2012	**31 523**	**12 646 626**	**-**	**-**	**983 875**	**13 662 024**	**-**	**13 662 024**
31 December 2013								
Balance at 1 January 2013	31 523	12 646 626	-	-	983 875	13 662 024	-	13 662 024
Issue of shares	14 169	12 956 374	-	-	-	12 970 543	-	12 970 543
Awaiting allotment	-	-	-	2 500 000	-	2 500 000	-	2 500 000
Acquisition of subsidiary	-	-	117 664	-	-	117 664	6 942 640	7 060 304
Gain/(loss) on change in degree of control*	-	-	-	-	310 713	310 713	(310 713)	-
Total comprehensive loss for the year	-	-	-	-	(560 256)	(560 256)	(240 738)	(800 994)
Effect of consolidation*	-	-	-	-	(100 733)	(100 733)	100 733	-
Balance at 31 December 2013	45 692	**25 603 000**	**117 664**	**2 500 000**	**633 599**	**28 899 955**	**6 491 922**	**35 391 877**

* Refer to Notes 13, 19.4 and 19.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

1. INCORPORATION AND NATURE OF BUSINESS

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

(i) Banking;
(ii) Consumer finance;
(iii) Gold exploration and mining;
(iv) Oil distribution and logistics;
(v) Hospitality and real estate; and
(vi) Insurance.

Brainworks is incorporated and domiciled in Zimbabwe with its registered offices at 4 Arden Road, Newlands in Harare, and is registered under the Companies' Act of Zimbabwe (Chapter 24:03).

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

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In prior years, individual financial statements have been prepared for the Company as its only operational subsidiary, Brainworks Petroleum (Private) Limited, was immaterial and therefore not consolidated.

The 2013 annual financial statements portray the consolidated financial statements of Brainworks. Included in the consolidated financial statements are the Group's operational subsidiaries: Brainworks Petroleum (Private) Limited, Lengrah Investments (Private) Limited and BCM Mining (Private) Limited. Brainworks Petroleum (Private) Limited became material with effect from 1 September 2013 and was thus consolidated with effect from that date. Lengrah Investments (Private) Limited was materially operational from 2 October 2013 and was thus consolidated from that date. BCM Mining (Private) Limited was consolidated from 1 January 2013. BCM Mining (Private) Limited is immaterial to the Group; however, for consistency in accounting treatment, the subsidiary was also consolidated from 1 January 2013. Had Brainworks Petroleum (Private) Limited been consolidated by the Company, there would have been no material difference between the separate and the consolidated financial statements for Brainworks for the year ended 31 December 2012.

Separate annual financial statements have been prepared for the company and are available at the companies registered office.

2.2 BASIS OF MEASUREMENT

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

2.3 PRESENTATION CURRENCY

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

2.4 USE OF ESTIMATES AND JUDGEMENT

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

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

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 2.4.1.

2.4.1 SIGNIFICANT ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty include:

- Determination of fair values of financial instruments and determination of discount rates and cash flow projections for use in valuing unquoted investments;
- Determination of useful lives and residual values used in the calculation of the depreciation expense (see Notes 3.3.2 and 16);
- Recognition of deferred tax asset (see Note 15);
- Determination of whether an investment is a financial instrument at fair value through profit and loss, investment in associate or a subsidiary (see Notes 3.1, 3.2, 13 and 14);
- Assessment for impairment of assets (see Note 3.5);
- Determination of the fair value of the liability on the put option held by FML Oil; and
- Determination of the effective date of the acquisition of African Sun (see Note 14).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and to all the companies in the Group.

3.1 FINANCIAL INSTRUMENTS

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

3.1.1 NON-DERIVATIVE FINANCIAL ASSETS

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

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Loans and receivables comprise of receivables and cash and cash equivalents.

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

3.1.2 NON-DERIVATIVE FINANCIAL LIABILITIES

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

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

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

3.1.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Fair value hierarchy

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. IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, and unobservable inputs reflect the Company and Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

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

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

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

3.1.4 SHARE CAPITAL

Ordinary shares

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

Preference shares

Preference shares are classified as equity if they bear discretionary dividends and do not contain any obligations to deliver cash or other financial assets. Discretionary dividends are recognised as equity distributions on approval by the Company's shareholders.

3.2 BASIS OF CONSOLIDATION

(i) **Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date i.e. when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, but if they are related to the issue of debt or equity securities, they are capitalised.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

ii) **Non-controlling interests ('NCIs')**

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) **Subsidiaries**

'Subsidiaries' are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interests in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. All subsidiaries are consolidated in the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are accounted for at cost.

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, transactions with the owners in their capacity as owners.

The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) **Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2.1 ASSOCIATES

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 49% of the voting rights. If the holding is less than 20%, the Group will be presumed not to have significant influence unless such influence can be clearly demonstrated. The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in the policy-making process;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel; and
- Provision of essential technical information.

Investments in associates are accounted for by the equity method of accounting in the consolidated financial statements and are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. If the ownership in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income would be reclassified to profit or loss where appropriate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit or loss of associate" in the statement of profit or loss and other comprehensive income.

3.3 PROPERTY AND EQUIPMENT

3.3.1 RECOGNITION AND MEASUREMENT

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

3.3.2 DEPRECIATION

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

- Leasehold improvements 5 years
- Motor vehicles 5 years
- Computer equipment 5 years
- Office equipment 5 years
- Furniture and fittings 5 years
- Buildings 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.Land and capital work in progress are not depreciated.

3.4 LEASES

Lease payments – lessee
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.5 IMPAIRMENT

3.5.1 NON-DERIVATIVE FINANCIAL ASSETS

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

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

Financial assets measured at amortised cost

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

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

3.5.2 NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.All impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in profit or loss.

Exploration and valuation assets are assessed for impairment if:

(i) Sufficient data exists to determine technical feasibility and commercial viability, and
(ii) Facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Losses are recognised in profit or loss.

3.6 EMPLOYEE BENEFITS

Post-employment benefits

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

Short-term benefits

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

3.7 TAX

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

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

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

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

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

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

3.8 REVENUE RECOGNITION

3.8.1 DIVIDEND INCOME

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

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

The net gain from financial instruments held at fair value through profit or loss includes all realised and unrealised fair value changes, but excludes interest and dividend income on short positions. The Group uses the first-in, first-out method to determine the gain on disposal. Fair value adjustments on the financial instruments are presented and disclosed separately from gains and losses on disposals.

3.8.3 REVENUE FROM OIL DISTRIBUTION AND LOGISTICS

Revenue from oil and logistics arises from the sales of fuel, oil products and services is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the economic benefits associated with the transaction will flow to the entity, and the amount of revenue can be measured reliably. These criteria are considered to be met when the goods are delivered to the buyer or when service has been provided to the customer in full.

3.8.4 FEE INCOME

Fees are earned on advisory services and income is recognised when the service has been rendered.

3.8.5 SHARE OF ASSOCIATE INCOME

The share of associate income is recognised net of associate expenses only to the extent of the Group's interest.

3.8.6 INTEREST

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

Interest is presented in the following lines in the statement of profit or loss and other comprehensive income:

- Interest receivable in "interest income" line; and
- Interest payable in "finance costs" line.

3.9 RELATED PARTIES

- A person or a close member of that person's family is related party to the Group if that person has control or joint control, significant influence or is a member of the key management personnel of the Group.
- An entity is a related party to the Group if that entity is part of Brainworks and/or related to a significant non-controlling interest as a subsidiary, associate, joint venture or post-employment benefit plan.

The Company has related party relationships. Transactions and balances are reflected in note 22. A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Transactions with related parties are conducted on an arm's length basis.

4. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS

The following revisions, issues and amendments set out below became effective for the current year:

- *IFRS 10:* Consolidated Financial Statements.
- *IFRS 12:* Disclosure of Interests in Other Entities.
- *IFRS 13:* Fair Value Measurement.
- *IAS 27:* Separate Financial Statements.
- *IAS 28:* Investments in Associates and Joint Ventures.
- *Amendments to IFRS 7:* Disclosures – Offsetting Financial Assets and Financial
- *Amendments to IAS 1:* Liabilities (Presentation of Items of Other Comprehensive Income

New financial reporting standards yet to be adopted by the Group

A number of new standards, amendments to standards and interpretations in issue were not yet effective during the year ended 31 December 2013. These have not been applied in preparing these financial statements. The impact of these standards on the Group is not yet known. The Group does not plan to early adopt these standards and amendments.

Standard/interpretation

- *Amendments to IFRS 10, IFRS 12 and IAS 27*

  The amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional. The amendments are effective for annual periods beginning on or after 1 January 2014.

- *Amendments to IAS 32 Offsetting financial assets and financial liabilities*

  The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after 1 January 2014.

- *Amendments to IAS 36 Recoverable amount disclosures for non-financial assets*

  The amendments reverse the unintended requirement in IFRS 13 *Fair Value Measurement* to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. This amendment is effective for annual periods beginning on or after 1 January 2014.

- *IFRS 9 (2009 and 2010): Financial instruments*

  IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The initial effective date of IFRS 9 was 1 January 2015. However, the effective date has been postponed and a new date is yet to be specified.

5. DETERMINATION OF FAIR VALUES

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

5.1 EQUITY AND DEBT SECURITIES

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

5.2 RECEIVABLES

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

	31-DEC-13 US$	31-DEC-12 US$
6. NET GAIN FROM INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS		
Gains/(losses) on listed investments	653 804	(275 015)
Gain on the put option	778 994	2 543 031
Adjustment as a result of changes in timing of cash flows on the put option	(161 361)	-
	1 271 437	**2 268 016**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

		31-DEC-13 US$	31-DEC-12 US$
7.	**OTHER OPERATING EXPENSES**		
	Contributions to a defined contribution pension plan	44 413	19 040
	Social security contributions	7 258	3 347
	Other staff costs	748 564	351 140
	Office rental	88 618	36 000
	Administration costs	745 711	259 122
	Depreciation	35 701	16 089
		1 670 265	**684 738**
8.	**FINANCE COSTS**		
	Interest on ABC Holdings Limited facility (see Note 17)	296 615	255 654
	Interest on Ecobank Transnational Incorporated facility (see Note 17)	386 182	-
	Interest on Metbank Limited facility (see Note 17)	495 654	323 556
	Interest on Ever Prosperous (Private) Limited facility (see Note 17)	968 161	1 433 040
	Imputed interest on preference shares	52 953	-
		2 199 565	**2 012 250**
9.	**TAX CREDIT**		
	Current tax expense	-	-
	Deferred tax asset movement	(805 019)	(255 024)
	Tax credit	**(805 019)**	**(255 024)**
9.1	**TAX RATE RECONCILIATION**		
	Profit before tax	(1 606 013)	317 734
	Tax calculated at 25.75%	(413 548)	81 817
	Tax effect of:		
	Items not taxable/deductible for tax purposes		
	Fair value adjustment on shares	(301 594)	(584 014)
	Other	(89 877)	247 173
	Income tax credit	**(805 019)**	**(255 024)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

		31-DEC-13 US$	31-DEC-12 US$
10.	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	179 067	16 354
11.	**FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS**		
	Listed investments	4 083 323	4 716 204
	Put option	3 160 663	2 543 030
		7 243 986	**7 259 234**

The put option arose as a result of a transaction entered into to purchase shares and sell them at an exercise price of US$ 1.07 a share. This gave rise to a put option being recognised at fair value through profit and loss at an amount of US$ 3 160 663 using the difference between the strike price of US$ 0.60 and the exercise price of the put option as per the put agreement. The put option exercise period expires on 30 June 2014.

		31-DEC-13 US$	31-DEC-12 US$
12.	**RECEIVABLES**		
	Receivables due from related parties	1 031 638	384 452
	Other receivables	3 711 139	1 957 117
	Total	**4 742 777**	**2 341 569**

None of the receivables have been impaired as no evidence of impairment exists over any of the receivables. The carrying amount of the receivables approximates fair values.

13.	**INVESTMENT IN SUBSIDIARIES**		
	Investment in Brainworks Petroleum	-	368 000
	Investment in BCM Gold	-	321 905
		-	**689 905**

- The comparative financial information shows investments in subsidiaries due to the fact that the 31 December 2012 financials were not consolidated. No consolidation was done as the subsidiaries were not material and, hence, there would have been no material difference between the separate and the consolidated financial statements for Brainworks for the year ended 31 December 2012. Therefore, the Brainworks 31 December 2012 company financial statements have been shown as comparatives to the consolidated 31 December 2013 financial statements.
- The subsidiaries are all incorporated in Zimbabwe and the principal place of business is at 4 Arden Road, Newlands, Harare.

- Shareholding in the respective subsidiaries is held as follows:
  - Brainworks Petroleum 100% (2012: 100%). Brainworks Petroleum holds an investment in FML Oil. On 3 September 2013, a foreign shareholder, UASIL acquired 49% of FML Oil. The reduction in control by Brainworks Petroleum from 100% to 51% resulted in a realised gain of US$ 310 712 on change in degree of control. Brainworks retains control of the subsidiary through 51% shareholding and a majority of directors on the board of Brainworks Petroleum;
  - BCM Gold: 100% (2012: 100%); and
  - Lengrah Investments: 56% (2012: 0%), Brainworks retains control of the subsidiary through 56% shareholding, and controls the funding and strategy of the Company.

The following table summarises the information relating to Group subsidiaries that have material non-controlling interests (NCI):

NON-CONTROLLING INTEREST (NCI) PERCENTAGE	LENGRAH INVESTMENTS *44%*	FML OIL *49%*
	31-DEC-13 US$	31-DEC-13 3 MONTHS US$
Total assets	17 558 603	2 409 221
Total liabilities	1 817 180	1 442 389
Net assets	**15 741 723**	**966 832**
Book value of NCI	**6 926 226**	**473 748**
The total assets and total liabilities are before consolidation.		
Revenue	(40 581)	164 025
Loss before tax	(275 319)	(246 437)
Loss allocated to NCI	**(119 984)**	**(120 754)**
Cash flows from operating activities	1 500 536	(1 230 786)
Cash flows from investing activities	(17 508 812)	(1 388 220)
Cash flows from financing activities	16 016 742	2 713 730
Net increase in cash and cash equivalents	8 466	94 724

	31-DEC-13 US$	31-DEC-12 US$
14. INVESTMENT IN ASSOCIATES		
Investment in Ecobank Zimbabwe	15 290 714	14 937 014
Investment in GetBucks Zimbabwe	670 072	375 000
Investment in African Sun	12 106 510	-
Investment in Dawn Properties	5 402 303	-
	33 469 599	**15 312 014**

The associates are accounted for using the equity method in the consolidated financial statements.

The summarised pro-forma financial statements of the associates for the 12 months ended 31 December 2013 are as follows:

	AUDITED ECOBANK 31-DEC-13 US$	REVIEWED GET BUCKS 31-DEC-13 US$	UNAUDITED AFRICAN SUN 31-DEC-13 US$	UNAUDITED DAWN PROPERTIES 31-DEC-13 US$
Statement of comprehensive income				
Revenue	17 147 000	2 073 398	55 703 222	5 510 476
Operating expenses	14 749 000	1 417 978	62 888 142	5 663 222
Profit/(loss) before tax	**2 398 000**	**655 420**	**(7 184 920)**	**(152 746)**
Statement of financial position				
Total assets	127 597 000	3 961 230	57 424 124	88 012 516
Total liabilities	87 104 000	2 488 263	41 111 090	2 724 806
Equity	40 493 000	1 472 967	16 313 034	85 287 710
Total equity and liabilities	**127 597 000**	**3 961 230**	**57 424 124**	**88 012 516**
Year-end	31-DEC-13	30-JUN-13	30-SEP-13	31-MAR-13

- The associates are all incorporated in Zimbabwe and the principal places of business are in Harare, Zimbabwe.
- The shareholding in Ecobank Zimbabwe (comprising retail banks and an asset management company), an unlisted investment, was maintained at 29.4% (2012: 29.4%). The investment is accounted for as an associate due to significant influence arising from being the indigenisation partner and having two members out of seven on its board of directors.
- The shareholding in GetBucks Zimbabwe (a microfinance company), an unlisted investment, was 45% (2012: 45%) on 31 December 2013. The investment is accounted for as an associate due to significant influence arising from having three members out of seven on its board of directors.
- The shareholding in African Sun, a hotel company listed on the ZSE, was at 43.14% as at 31 December 2013. The effective acquisition date of the investment in African Sun was 6 November 2013, being the date when all conditions of the purchase were met. The investment is accounted for as an associate due to significant influence arising from having three members out of nine on its board of directors. However, the board members were appointed post year-end.
- The shareholding in Dawn Properties, a property company listed on the ZSE, was 14.88% as at 31 December 2013. The 14.88% shareholding in Dawn Properties is accounted for as an investment in an associate due to significant influence arising from the appointment of one board member out of seven on the Dawn Properties board of directors. African Sun and Lengrah Investments have a voting pool agreement, where the combined shareholding of the two companies amounts to 31.42% of Dawn Properties.

	31-DEC-13 US$	RECOGNISED IN PROFIT/LOSS US$	31-DEC-12 US$
15. DEFERRED TAX			
The movement on the deferred tax account is:			
Fair value on listed investments	(31 709)	(9 027)	(22 682)
Fair value on unlisted investments	(26 167)	-	(26 167)
Leasehold improvements	(494)	(268)	(226)
Property and equipment	172 552	175 668	(3 116)
Tax loss	1 347 891	825 263	522 628
	1 462 073	991 636	470 437
Effect of consolidation	-	(186 617)	-
Deferred tax asset	**1 462 073**	**805 019**	**470 737**

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets where the directors believe that it is probable that these assets will be recovered. The directors believe that sufficient taxable profits will be generated to utilise the tax benefits. The effect of consolidation relates to previously unrecognised deferred tax movement of Brainworks Petroleum as it had not been consolidated in the prior years.

16. PROPERTY AND EQUIPMENT

	PROPERTY US$	MOTOR VEHICLES US$	COMPUTER EQUIPMENT US$	OFFICE EQUIPMENT US$	FURNITURE & FITTINGS US$	CAPITAL WORK IN PROGRESS US$	TOTAL US$
AT 31 DECEMBER 2013							
Cost							
Opening balance	45 000	193 150	17 005	47 506	39 445	-	342 106
Additions	1 181 226	63 973	13 704	22 299	10 139	1 291 333	2 582 674
Disposals	(10 000)	(15 000)	-	-	-	-	(25 000)
	1 216 226	242 123	30 709	69 805	49 584	1 291 333	2 899 780
Depreciation and impairment							
Opening balance	2 825	28 328	4 758	12 221	11 748	-	59 880
Depreciation charge for the period	5 849	22 151	5 105	13 920	8 318	-	55 343
Disposals	-	(5 000)	-	-	-	-	(5 000)
Accumulated depreciation	8 674	45 479	9 863	26 141	20 066	-	110 223
Net carrying amount at 31 December 2013	1 207 552	196 644	20 846	43 664	29 518	1 291 333	2 789 557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

	LEASEHOLD IMPROVEMENTS US$	MOTOR VEHICLES US$	COMPUTER EQUIPMENT US$	OFFICE EQUIPMENT US$	FURNITURE & FITTINGS US$	TOTAL US$
31 DECEMBER 2012						
Cost						
Opening balance	5 500	16 150	10 032	16 748	31 944	80 374
Additions	-	-	-	100	4 701	4 801
	5 500	16 150	10 032	16 848	36 645	85 175
Depreciation and impairment						
Opening balance	367	1 884	1 286	2 119	4 345	10 001
Depreciation charge for the period	737	3 228	2 004	3 370	6 750	16 089
Accumulated depreciation	1 104	5 112	3 290	5 489	11 095	26 090
Net carrying amount at 31 December 2012	4 396	11 038	6 742	11 359	25 550	59 085

	NOTE	31-DEC-13 US$	31-DEC-12 US$
17. BORROWINGS			
ABC Holdings Limited	17.1	2 114 726	1 818 112
Ecobank Transnational Incorporated	17.2	4 074 182	3 688 000
Ever Prosperous Worldwide Limited	17.3	3 888 674	6 139 398
Metbank short-term facility	17.4	2 295 654	700 000
Preference share debt	17.5	1 173 913	-
Deferred payments	17.6	-	114 086
		13 547 149	12 459 596

17.1 The amount due to ABC Holdings Limited ("ABCH") matures on 31 December 2021 and attracts interest at 15% per annum. Interest is payable half yearly in arrears. The facility is secured by directors' residential properties.

17.2 The amount due to Ecobank Transnational matures on 6 May 2014 and attracts interest at 10% per annum. Interest is payable half yearly in arrears. The facility is secured by 70 000 000 shares in Ecobank Zimbabwe. Brainworks is currently in negotiations with Ecobank Transnational to restructure the loan.

17.3 The amount due to Ever Prosperous Worldwide Limited ("Ever Prosperous") relates to funding advanced for the acquisition of ABCH shares and attracts interest at 24% per annum. The amount is payable in full on disposal of shares. The facility is secured by 8 488 644 ABCH shares.

17.4 The amount due to Metbank Limited ("Metbank") relates to short-term funding advanced and matured on 31 December 2013, and attracts interest at 15% per annum. The facility is secured by ABCH shares. The facility was repaid subsequent to year end in January 2014.

17.5 Preference shares worth US$ 1 350 000 were issued on 3 September 2013 to UASIL, an investor in FML Oil, which is a subsidiary of Brainworks Petroleum. The preference shares have been discounted to their present value of US$ 1 173 913 using a fair rate of 15% with a redemption date of 31 December 2014, as this is the earliest date for possible redemption by UASIL.

17.6 Amounts relate to the balance that remained for shares purchased under a deferred payment structure in the prior year. The balance was settled in 2013.

17.7 The carrying amounts of all the loans approximate their fair values.

		31-DEC-13 US$	31-DEC-12 US$
18.	OTHER LIABILITIES		
	Audit fees	30 000	15 000
	Capital gains tax payable	473 684	-
	Payroll accruals	49 236	11 979
	Sundry	395 113	-
	The carrying amounts of other liabilities approximate fair values.	**948 033**	**26 979**
19.	CAPITAL AND RESERVES		
19.1	**Authorised**		
	1 000 000 000 ordinary shares of US$ 0.0001 each	100 000	100 000
19.2	**Issued and fully paid**		
	Nominal value of shares		
	As at 1 January	31 523	30 130
	Shares issued at US$ 0.000 1	14 169	1 393
	As at 31 December	**45 692**	**31 523**
	Number of shares		
	As at 1 January	315 235 737	301 300 070
	Shares issued	141 689 132	13 935 667
	As at 31 December	**456 924 869**	**315 235 737**

		31-DEC-13 US$	31-DEC-12 US$
19.3	**Share premium**		
	Premium on ordinary shares	25 603 000	12 646 625

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

19.4 Change in degree of control

On 3 September 2013, a foreign shareholder, UASIL, acquired 49% of FML Oil. The reduction in control by Brainworks Petroleum from 100% to 51% resulted in a realised gain of US$ 310 712 on change in degree of control. Brainworks retains control of the subsidiary through 51% shareholding and a majority of directors on the board of Brainworks Petroleum.

19.5 Effect of consolidation

The effect of consolidation relates to previously unrecognised retained income of Brainworks Petroleum as it had not been consolidated in the prior years.

19.6 Unalloted shares

These were shares attributable to Blue Air that were awaiting allotment as at financial year-end (see Note **27**).

20. NON-DISTRIBUTABLE RESERVE

Non-distributable reserve	117 664	-

The revaluation reserve arose as a result of the revaluation of assets upon the adoption of the use of the United States Dollar as the functional currency.

21. OPERATING LEASES

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

No later than one year	159 621	36 000

22. RELATED PARTIES

Directors secured the ABCH facility to the Company through their residential properties (see Note **17**).

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

	31-DEC-13 US$	31-DEC-12 US$
22.1 RELATED PARTY BALANCES		
Receivables due from related party companies		
African Development Corporation	798 194	469 528
GetBucks Financial Services Zimbabwe Limited	233 444	-
Borrowings obtained from related party companies		
Ecobank Transnational Incorporated	4 074 182	3 688 000
ABC Holdings Limited	2 114 726	1 818 112
Cash balances with related party transactions		
Ecobank Transnational Incorporated	69 051	14 466

Nature of relationships with related parties:

- Brainworks Petroleum – 100% owned subsidiary of Brainworks and holds a 51% shareholding of FML Oil.
- ADC – holds an 18% shareholding in Brainworks.
- Lengrah Investments – a 56% owned subsidiary of Brainworks.
- GetBucks Financial Services – associate of Brainworks as a result of a 45% shareholding in the company.
- ABCH – owned 51% by ADC that holds a 19.08% shareholding in Brainworks.
- Ecobank Transnational – holds a 70% interest in Ecobank Zimbabwe, an associate of Brainworks, as a result of a 29.4% interest in the company.

The terms and conditions of the amounts due from related parties are as follows:

- ADC – payable by 31 December 2014 and attracts no interest.
- GetBucks Financial Services – payable by 31 March 2014 and attracts interest at 25% per annum.

	31-DEC-13 US$	31-DEC-12 US$
22.2 RELATED PARTY TRANSACTIONS		
Interest income		
GetBucks Financial Services Zimbabwe Limited	122 305	-
	122 305	-
Interest expense		
Interest on ABC Holdings Limited facility	296 615	255 654
Interest on loan from Ecobank Transnational Incorporated	386 182	323 556
	682 797	**579 210**

		31-DEC-13 US$	31-DEC-12 US$
22.3	**COMPENSATION OF KEY MANAGEMENT PERSONNEL**		
	Short-term employee benefits	589 225	330 000
	Post-employment pension and medical aid benefits	42 230	9 000
	Total compensation	**631 455**	**339 000**
23.	**EARNINGS PER SHARE**		
23.1	**BASIC AND DILUTED EARNINGS PER SHARE**		
	(Loss)/profit for the year: US$	(800 994)	572 758
	Weighted average number of shares	386 080 303	303 572 486
	Earnings per share: cents	**(0.20)**	**0.19**

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares. Diluted earnings per share are the same as earnings per share as there were no potential dilutive ordinary shares held.

24. FINANCIAL RISK MANAGEMENT

24.1 LIQUIDITY RISK

Definition: Liquidity risk arises in the general funding of the Company's activities and in the management of positions. It includes the risk of being unable to fund assets at appropriate maturities and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.
Identification techniques: This risk is identified through gap and maturity analyses.
Measurement methods: Liquidity risk is measured using the gap analysis techniques and the term structure of assets and liabilities.
Monitoring and controlling mechanisms: The funding gap is monitored through a number of management reports, including maturity profiles. The Company continually assesses risk by identifying and monitoring changes in funding which is required to meet business objectives and targets set in terms of the overall Company strategy.
Adequacy and effectiveness of risk management systems: The liquidity risk management and control mechanisms in place are adequate, effective and are adhered to by all staff members.

24.2 MARKET RISK

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

INTEREST RATE RISK

Definition: The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Company's business strategies.
Identification techniques: Interest risk is identified using the term structure of assets and liabilities.
Measurement methods: Rate sensitive assets and liabilities are analysed and a maturity profile exhibited.
Impact evaluation: The Company has evaluated this risk as low. At present it does not have any variable rate assets or liabilities.
Strategies for management/mitigation: The board of directors reviews the gap analyses and appropriate action is taken to keep risk within set limits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

	UP TO 1 MONTH US$	2 TO 6 MONTHS US$	7 TO 12 MONTHS US$	ABOVE 12 MONTHS US$	OTHER US$	TOTAL US$
LIQUIDITY GAP ANALYSIS						
As at 31 December 2013						
Assets						
Cash and cash equivalents	179 067	-	-	-	-	179 067
Financial instruments at fair value	-	7 243 986	4 742 777	-	-	7 243 986
Receivables	-	-	-	-	-	4 742 777
	179 067	**7 243 986**	**4 742 777**	**-**	**-**	**12 165 830**
Liabilities						
Borrowings	-	-	7 358 241	6 188 908	-	13 547 149
Other liabilities	-	948 033	-	-	-	948 033
	-	**948 033**	**7 358 241**	**6 188 908**	**-**	**14 495 182**
Sensitivity gap	179 067	6 295 953	(2 615 464)	(6 188 908)	-	-
Cumulative gap	179 067	6 475 020	3 859 556	(2 329 352)	(2 329 352)	(4 658 704)

	UP TO 1 MONTH US$	2 TO 6 MONTHS US$	7 TO 12 MONTHS US$	ABOVE 12 MONTHS US$	OTHER US$	TOTAL US$
LIQUIDITY GAP ANALYSIS						
As at 31 December 2012						
Assets						
Cash and cash equivalents	16 354	-	-	-	-	16 354
Financial instruments at fair value	-	7 259 234	-	-	-	7 259 234
Receivables	-	-	2 341 569	-	-	2 341 569
	16 354	**7 259 234**	**2 341 569**	**-**	**-**	**9 617 157**
Liabilities						
Borrowings	-	-	6 953 484	5 506 112	-	12 459 596
Other liabilities	-	26 979	-	-	-	26 979
	-	**26 979**	**6 953 484**	**5 506 112**	**-**	**12 486 575**
Sensitivity gap	16 354	7 232 255	(4 611 915)	(5 506 112)	-	(2 869 418)
Cumulative gap	16 354	7 248 609	2 636 694	(2 869 418)	(2 869 418)	(5 738 836)

	UP TO 1 MONTH US$	2 TO 6 MONTHS US$	7 TO 12 MONTHS US$	ABOVE 12 MONTHS US$	OTHER US$	TOTAL US$
INTEREST RATE GAP ANALYSIS						
As at 31 December 2013						
Assets						
Cash and cash equivalents	179 067	-	-	-	-	179 067
Financial instruments at fair value	-	3 160 663	-	-	4 083 323	7 243 986
Receivables	-	-	-	-	4 742 777	4 742 777
	179 067	**3 160 663**	**-**	**-**	**8 826 100**	**12 165 830**
Liabilities						
Borrowings	-	10 258 510	-	3 288 639	-	13 547 149
Other liabilities	-	-	-	-	948 033	948 033
	-	**10 258 510**	**-**	**3 288 639**	**948 033**	**14 495 182**
Sensitivity gap	179 067	(7 097 847)	-	(3 288 639)	7 878 067	(2 329 352)
Cumulative gap	179 067	(6 918 780)	(6 918 780)	(10 207 419)	(2 329 352)	(4 658 704)

Interest rate sensitivity analysis
A 5% increase/decrease in the average borrowing rates of the Group for the year ended 31 December 2013 would have resulted in a decrease/increase in the Group's recorded profit of US$ 214 044.

	UP TO 1 MONTH US$	2 TO 6 MONTHS US$	7 TO 12 MONTHS US$	ABOVE 12 MONTHS US$	OTHER US$	TOTAL US$
INTEREST RATE GAP ANALYSIS						
As at 31 December 2012						
Assets						
Cash and cash equivalents	16 354	-	-	-	-	16 354
Financial instruments at fair value	-	-	2 543 030	-	4 716 204	7 259 234
Receivables	-	-	-	-	2 341 569	2 341 569
	16 354	**-**	**2 543 030**	**-**	**7 057 773**	**9 617 157**
Liabilities						
Borrowings	-	-	-	5 506 112	-	12 459 596
Other liabilities	-	6 953 484	-	-	26 979	26 979
	-	**6 953 484**	**-**	**5 506 112**	**26 979**	**12 486 575**
Sensitivity gap	16 354	(6 953 484)	2 543 030	(5 506 112)	7 030 794	(4 869 418)
Cumulative gap	16 354	(6 937 130)	(4 394 100)	(9 900 212)	(2 869 418)	(7 738 836)

FOREIGN EXCHANGE RISK

Definition: Foreign exchange risk is the risk that arises from adverse changes in foreign exchange rates and emanates from a mismatch between foreign currency inflows and outflows.
Identification techniques: The risk is identified through the analysis of the Company's open foreign exchange positions.
Measurement methods: The risk is measured through the Company's open foreign exchange positions.
Impact evaluation: The Company has evaluated this risk as low in view of the fact that at present it does not have any open foreign exchange positions.
Strategies for management/mitigation: The risk is managed through market analysis techniques.
Monitoring and controlling mechanisms: The risk is controlled through the use of limits set by the board on the overall foreign exchange position.
Adequacy and effectiveness of risk management system: Management is confident that the foreign exchange risk management systems in place are adequate, effective and are complied with in all material respects by all staff members.

EQUITY PRICE RISK

Definition: Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments that derive their value from a particular equity investment of index of equity prices.
Identification techniques: The Company tracks the performance of all its equity investments using the price lists issued by members of the ZSE.
Measurement methods: Based on the price lists from the members of the ZSE, the Company quantifies the risk.
Impact evaluation: Equity price risk is assessed as high as the Company's equities are in a single counter.
Strategies for management/mitigation: The Company manages its exposure to equity price risk by monitoring and evaluating stock performances.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

	LEVEL 1 US$	LEVEL 2 US$	LEVEL 3 US$	TOTAL US$
31 December 2013				
Listed investments	4 083 323	-	-	4 083 323
Put option	3 160 663	-	-	3 160 663
Total	**7 243 986**	-	-	**7 243 986**
31 December 2012				
Listed investments	4 716 204	-	-	4 716 204
Put option	2 543 030	-	-	2 543 030
Total	**7 259 234**	-	-	**7 259 234**

Apart from the financial assets shown above, the Group had no other financial assets and liabilities that were carried at fair value, as at 31 December 2013. Fair value measurements of the put option were based on the difference between the exercise price of US$ 1.07 a share and a strike price of US$ 0.60. The strike price is the quoted price of the listed share.

Adequacy and effectiveness of risk management system: The risk management system has proved adequate and effective in managing equity price risk.
Equity price risk: A 5% increase/decrease in the value of listed shares as at 31 December 2013 would have resulted in an increase/decrease of US$ 204 166 to the reported Company's profit and an increase/decrease in the statement of financial position of US$ 204 166.

24.3 CAPITAL MANAGEMENT

The Group is regulated by the Securities and Exchange Commission, being a licensed financial advisory firm; however, there are no prescribed capital levels. The Group's policy is to maintain a strong capital base so as to maintain investor confidence and to sustain future growth of the business. Management monitors the return on capital. The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital above 30% over a period of up to 5 years. The weighted-average interest rate on interest-bearing borrowings was 17% (2012: 23%). There are no share based payment schemes in place.

The Group monitors capital using a ratio of adjusted net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings less cash and cash equivalents. Equity comprises all components of equity. The Group's policy is to keep the ratio below 1.00. The Group's adjusted net debt to equity ratio at 31 December was as follows:

	31 DEC 13 US$	31 DEC 12 US$
Listed investments	13 547 149	12 459 596
Less: cash and cash equivalents	(179 067)	(16 354)
Net debt	**13 368 082**	**12 443 242**
Total equity	**28 899 955**	**13 662 023**
Net debt to adjusted equity ratio	**0.46**	**0.91**

24.4 CREDIT RISK

Definition: Credit risk is the risk that a counter party will not honour its obligations to the Company as and when they become due.
Identification techniques: The Company assesses prospective customers or investees prior to granting credit facilities to them.
Measurement methods: The risk is measured through assessing the risk of default through investigations of the counterparty's credit worthiness.
Impact evaluation: Credit risk is rated low in the Company as the systems for identification measurement and controlling the risk are effective.
Strategies for management/mitigation: The Company has a credit risk management process which operates through authorisation limits.
Exposure to credit risk: The carrying amounts of the financial assets represent the maximum credit exposure. The maximum exposure at reporting date was as follows:

	NOTE	CARRYING AMOUNT 31 DEC 13 US$	CARRYING AMOUNT 31 DEC 12 US$
Bank	10	179 067	16 354
Put option	11	3 160 663	2 543 030
Receivables	12	4 742 777	2 341 569
Total		**8 082 507**	**4 900 953**

None of the financial assets have been impaired as no evidence of impairment exists over any of the assets. The carrying amount of the financial assets approximates fair values.

25. CAPITAL COMMITMENTS

During 2012, the Company lodged an application with IPEC for a life assurance license. The license has not yet been issued. If licensed, the business will be capitalised through a combination of existing investments and cash. The immediate capital commitment for this venture is a cash injection of US$ 500 000.

26. CONTINGENT LIABILITIES

On 3 September 2013, the Company granted UASIL a put option on its preference shares in FML Oil exercisable after 31 December 2014. The terms of the put option agreement with the UASIL are that the preference shares will be redeemed at a 10% coupon in the event of exercise.

27. SUBSEQUENT EVENTS

Subsequent to the year-end, an investment in Brainworks Capital by Blue Air Capital of US$ 2.5 million was approved by the Exchange Control on 13 February 2014.

28. GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis. The Group was assessed to be a going concern despite the loss of US$ 800 994 incurred for the year ended 31 December 2013. The Group has a positive net asset position of US$ 35 391 877.

Going forward, the Group's plan is to increase income from advisory services. There are a number of mandates that the Group is involved in that are at various stages of completion.

The directors have thus made the assessment of the Group to continue as a going concern and they believe that the business will be a going concern in the year ahead.

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