AFRICAN SUN LIMITED

AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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Financial highlights

Revenue: 19% up to US$51.83 million

Operating profit: 21% up to US$6.91 million

Basic earnings per share: Flat on 0.56 cents

Occupancy: 8 percentage points up to 52%

EBITDA: 53% up to US$8.37 million

Headline earnings: 83% up to US$4.87 million

Headline earnings per share: 83% up to 0.56 cents

ADR: Flat on US$93

RevPAR: 17% up to US$48

MESSAGE FROM THE CHAIRMAN

INTRODUCTION

I have great pleasure in presenting the African Sun's 2017 financial report.

OPERATING ENVIRONMENT

The operating environment in Zimbabwe continued to be difficult for the greater part of the year, with inflation increasing to 2.97% by end of year driven by premiums charged to access the limited foreign currency. The weak regional currencies against the United States of America dollar ("US$") particularly the South African Rand (ZAR) resulted in subdued arrivals from South Africa and the region in general. On a positive note, the domestic market improved significantly with the international market posting a 29% growth responding to global tourism industry trends. As a result, the Group managed to record a profit of US$4.82 million for the year.

FINANCIAL REVIEW

Revenue closed at US$51.83 million; 19% growth from US$43.6 million reported last year. The growth was spurred by an 8-percentage points increase in occupancy from 44% last year to 52% for the year under review. The increase in occupancy was recorded in all three-market segments, with the international market posting the highest growth of 29%, domestic 17% and regional 3%. The 17% growth in the domestic market was partly due to the flexible pricing system implemented during the year. Average daily rate ("ADR") was maintained at US$93 as focus was on driving occupancies, despite a 1% increase in the international and regional ADR. The rate strategy and growth in occupancy spurred a 17% surge in revenue per available room ("RevPAR") from US$41 recorded last year to US$48. Total RevPAR also increased by 18% from US$73 last year to US$86 in 2017 responding to the 19% growth in revenue.

EBITDA grew 53% to US$8.37 million in response to increased revenue and continued cost management. Net financing costs for the year amounted to US$1.05 million, a 39% increase from US$0.75 million reported last year.

Profit for the year from continuing operations was US$4.82 million, marginally up from US$4.81 million reported last year. Excluding non-operating income (profit from disposal of a subsidiary), profit for the year increased by 68% to US$4.82 million, from US$2.87 million achieved last year.

Restructuring of borrowings

The Group managed to restructure its borrowing facilities, obtaining a good mix of both short-term and long-term loans. As at 31 December 2017, net current liabilities was US$0.84 million, a significant decline from US$6.59 million reported as at 31 December 2016.

OUTLOOK

Our hotel operations are expected to benefit from key activities in 2018, which include elections, infrastructure development and other government projects. The Victoria Falls airport has proved to be a game changer, as additional flights and airlines are expected in 2018. Conferencing business has already significantly responded to the government's "Zimbabwe is Open for Business" theme, shown by the seminars, roadshows and planning sessions that we are hosting in our hotels. The same momentum is filtering into the later months as our forward bookings are surpassing 2017 forecasts at this stage. Going forward, the following key pillars will remain central in driving our strategy;

- Revenue generation; stimulating both domestic and regional demand, and sustaining the resilient international market;
- Training and service excellence;
- Product improvement through refurbishments;
- Continuous management of our operating costs; and
- Continual improvement of ICT infrastructure

In addition, the South African rand has shown signs of strengthening post year-end, a scenario that is likely to positively influence arrivals from South Africa and the region going forward.

DIRECTORATE CHANGES

Since the last Annual General Meeting, Ms. Tariro Ndebele resigned from the Board on 1 September 2017. On the same date, she was appointed as an Executive to the position of Sales and Marketing Director. Mr. Walter. T Kambwanji resigned from the Board on 8 March 2018 and Mr. Peter Saungweme was appointed to the Board on the same day.

On behalf of the Board, I would like to take this opportunity to thank Tariro and Walter for their invaluable contribution to the Board during their respective tenures. We wish Tariro success in her new role in the Company as well as Walter in his future endeavours. In the same vein, we are happy to have Peter joining us and look forward to having him as a member of the team.

DIVIDEND DECLARATION

In view of the improved performance, the Board declared a final dividend of US$600 655 being US$0.000697 per share (0.0697 US cents per share) for the year ended 31 December 2017.

APPRECIATION

I would like to commend fellow directors, management and staff for a sterling job during the year despite challenges. The same commitment will serve us well in the realization of African Sun's ambitions in 2018 and beyond. I would also like to thank all our stakeholders for their continued support to African Sun.

H. Nkala
Chairman

8 March 2018

DIVIDEND ANNOUNCEMENT

Notice is hereby given that on 8 March 2018, the Board of Directors of African Sun Limited declared a final dividend of US$0.000697 (0.0697 US cents) per share payable in respect of all ordinary shares of the company.

This dividend is in respect of the 12 months ended 31 December 2017 and will be payable in full to all shareholders of the company registered at close of business on 15 June 2018.

The payment of this dividend will take place on or about 29 June 2018.

The shares of the company will be traded cum-dividend ("with dividend") on the Stock Exchange up to the market day of 12 June 2018 and ex-dividend as from 13 June 2018.

Non-resident shareholders tax and resident shareholder tax will be deducted from the gross dividends where applicable.

By Order of the Board

V.T Musimbe
Company Secretary

8 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

All figures in US$	Note	Audited 31 December 2017	Audited 31 December 2016
Assets			
Non-current assets			
Property and equipment		21 284 122	21 270 729
Biological assets		159 198	165 137
Deferred tax assets		79 630	-
Trade and other receivables		343 683	178 893
		21 866 633	**21 614 759**
Current assets			
Inventories		2 087 639	1 453 628
Trade and other receivables		6 421 474	5 663 267
Cash and cash equivalents (excluding bank overdrafts)		8 362 551	4 885 160
		16 871 664	**12 002 055**
Total assets		**38 738 297**	**33 616 814**
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		8 617 716	8 617 716
Share premium		25 123 685	25 123 685
Foreign currency translation reserve		(3 468 047)	(3 500 446)
Accumulated losses		(18 764 635)	(23 581 158)
Total equity		**11 508 719**	**6 659 797**
Liabilities			
Non-current liabilities			
Trade and other payables		1 130 148	1 730 148
Borrowings	6	4 187 512	3 013 848
Deferred tax liabilities		4 195 643	3 617 873
		9 513 303	**8 361 869**
Current liabilities			
Trade and other payables		13 410 581	11 293 143
Income tax liabilities		515 959	-
Provisions for other liabilities		1 767 538	2 046 313
Borrowings	6	2 022 197	5 255 692
		17 716 275	**18 595 148**
Total liabilities		**27 229 578**	**26 957 017**
Total equity and liabilities		**38 738 297**	**33 616 814**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

All figures in US$	Note	Audited 31 December 2017	Audited 31 December 2016
Continuing Operations			
Revenue	7	51 827 232	43 600 924
Cost of sales	8	(15 444 453)	(12 993 608)
Gross profit		**36 382 779**	**30 607 316**
Other income		1 589 689	1 444 442
Operating expenses	8	(30 708 927)	(27 900 883)
Other expenses		(358 007)	(364 747)
Profit from disposal of subsidiary		-	1 176 165
Recycled from other comprehensive income		-	755 651
Operating profit		**6 905 534**	**5 717 944**
Finance income		7 276	23 690
Finance costs		(1 053 399)	(776 864)
Profit before income tax	7	**5 859 411**	**4 964 770**
Income tax expense		(1 042 888)	(28 735)
Profit from continuing operations		**4 816 523**	**4 936 035**
Loss from discontinued operations		-	(129 325)
Profit for the year		**4 816 523**	**4 806 710**
Other comprehensive income / (loss)-net of tax:			
Items that are being or may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		32 399	144 577
Recycled to profit or loss		-	(755 651)
Total other comprehensive income / (loss)		**32 399**	**(611 074)**
Total comprehensive income for the year		**4 848 922**	**4 195 636**
Profit for the year attributable to			
Owners of the Company:		**4 816 523**	**4 806 710**
Total comprehensive income for the year attributable to:			
Owners of the Company:		**4 848 922**	**4 195 636**
Earnings / (loss) per share from continuing and discontinued operations attributable to:			
Owners of the Company:			
Basic earnings / (loss): (US cents)			
From continuing operations		0.56	0.57
From discontinued operations		-	(0.01)
For the year		**0.56**	**0.56**
Diluted earnings / (loss): (US cents)			
From continuing operations		0.56	0.57
From discontinued operations		-	(0.01)
For the year		**0.56**	**0.56**
Headline earnings per share		**0.56**	**0.31**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

All figures in US$	Note	Audited 31 December 2017	Audited 31 December 2016
Cash flows from operating activities			
Cash generated from operations		8 447 008	3 279 518
Interest received		7 276	23 690
Interest paid		(984 915)	(1 130 355)
Net cash generated from operating activities		**7 469 369**	**2 172 853**
Cash flows from investing activities			
Purchase of property and equipment		(2 846 665)	(1 757 047)
Proceeds from sale of property and equipment		899 681	799 582
Proceeds from disposal of subsidiary		-	45 468
Net cash used in investing activities		**(1 946 984)**	**(911 997)**
Cash flows from financing activities			
Proceeds from short-term borrowings		-	6 050 477
Proceeds from long-term borrowings	6	5 175 000	2 000 000
Deposit utilised from debt service reserve account		-	104 602
Repayment of short-term borrowings	6	(5 823 067)	(7 005 726)
Repayment of long-term borrowings	6	(1 411 764)	-
Cash (used in) / generated from financing activities		**(2 059 831)**	**1 149 353**
Net increase in cash and cash equivalents		**3 462 554**	**2 410 209**
Cash and cash equivalents at beginning of the year		4 885 160	2 462 754
Exchange gain on cash and cash equivalents		14 837	12 197
Cash and cash equivalents at the end of the year		**8 362 551**	**4 885 160**

Directors: H. Nkala (Chairman), E. T. Shangwa (Managing Director)*, B. H. Dirorimwe (Finance Director)*, B. Childs, E. A. Fundira, A. Makamure, N. G. Maphosa, P. Saungweme. * Executive
Registered Office: Monomotapa Hotel, Number 54 Park Lane, Harare, Zimbabwe. Email: venon.musimbe@africansunhotels.com, Web: www.africansunhotels.com
Auditors: PricewaterhouseCoopers Chartered Accountants (Zimbabwe), Building No. 4 Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe.

AFRICAN SUN LIMITED

AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

All figures in US$	Share capital	Share premium	Non-distributable reserves	Foreign currency translation reserve	Accumulated losses	Total equity
Year ended 31 December 2016						
Balance as at 1 January 2016	**8 617 716**	**25 123 685**	**1 273 921**	**(2 889 372)**	**(29 661 789)**	**2 464 161**
Transfer to accumulated losses	-	-	(1 273 921)	-	1 273 921	-
Profit for the year	-	-	-	-	4 806 710	**4 806 710**
Other comprehensive loss:						
Currency translation differences	-	-	-	(611 074)	-	**(611 074)**
Total comprehensive income for the year	-	-	(1 273 921)	(611 074)	6 080 631	**4 195 636**
Balance as at 31 December 2016	**8 617 716**	**25 123 685**	**-**	**(3 500 446)**	**(23 581 158)**	**6 659 797**
Year ended 31 December 2017						
Balance as at 1 January 2017	**8 617 716**	**25 123 685**	**-**	**(3 500 446)**	**(23 581 158)**	**6 659 797**
Profit for the year	-	-	-	-	4 816 523	**4 816 523**
Other comprehensive income:						
Currency translation differences	-	-	-	32 399	-	**32 399**
Total comprehensive income for the year	**-**	**-**	**-**	**32 399**	**4 816 523**	**4 848 922**
Balance as at 31 December 2017	**8 617 716**	**25 123 685**	**-**	**(3 468 047)**	**(18 764 635)**	**11 508 719**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

African Sun Limited ("the Company") and its subsidiaries (together "the Group") lease and manage eleven hotels in Zimbabwe, and operate a regional sales office in South Africa which focuses on international and regional sales.

The Company is incorporated and domiciled in Zimbabwe, and listed on the Zimbabwe Stock Exchange.

The parent of the Company is Brainworks Capital Management (Private) Limited ("Brainworks"), which owns 57.67%(2016: 57.67%) of the ordinary share capital of the Company.

The Company's registered address is Monomotapa Hotel, Number 54 Park Lane Road, Harare, Zimbabwe.

These condensed financial statements were approved for issue by the Directors on 8 March 2018.

2 STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the Zimbabwe Stock Exchange Listing Requirements, and in the manner required by the Zimbabwe Companies Act (Chapter 24:03).

3 ACCOUNTING POLICIES

The principal accounting policies adopted in the presentation of these financial statements are consistent with those of the previous financial year except where stated.

These condensed financial statements are presented in United States of America dollars ("US$") and are prepared on the historical cost basis modified by revaluation of biological assets.

4 AUDIT OPINION

These financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2017, which have been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe). An unqualified audit opinion has been issued which also includes a section on key audit matter relating to impairment of trade and other receivables. The auditor's report on the financial statements is available for inspection at the Company's registered office.

5 GOING CONCERN

The year 2017 was positive for the Group. Revenue recorded a 19% growth to US$51.83 million from US$43.60 million achieved last year. The growth in revenue and effective cost management resulted in a 53% increase in EBITDA to US$8.37 million (16% margin) from US$5.48 million (13% margin) recorded last year. Resultantly, profit before income tax from core operations increased by 137% to US$4.63 million from US$1.95 million achieved in the prior year. The strong performance during the year improved the Group's cash generated from operations to US$8.45 million from US$3.28 million achieved last year. In addition to the operational success, the Group obtained a long-term facility, which was used to restructure borrowings through refinancing of its short-term loans. The restructuring of borrowings resulted in a reduction of finance costs attributable to loans and improved weighting of short-term loans to total loans of 0.33 times from 0.64 times reported last year.

The combination of the aforementioned initiatives resulted in narrowing of the working capital gap to US$0.84 million from US$6.59 million that was reported in December 2016.

As the Group continues on an upward trajectory, the remaining working capital gap of US$0.84 million will be closed organically in the 2018 financial year. To ensure sustainable profits in the coming year and beyond the Group will;

- sustain its revenue generation initiatives of targeting both the domestic and international market;
- continuous business processes improvement to cut costs and match revenue generation levels; and
- continue with our soft refurbishments at the various hotels to address key areas to give our guest the best experience.

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

6 BORROWINGS

All figures in US$	Audited 31 December 2017	Audited 31 December 2016
Non-current:		
Local bank loans	**4 187 512**	**3 013 848**
Current:		
Local bank loans	2 022 197	5 251 926
Finance lease liability	-	3 766
Total current	**2 022 197**	**5 255 692**
Total borrowings	**6 209 709**	**8 269 540**

6 BORROWINGS (CONTINUED)

All figures in US$	31 December 2016	Borrowings repayments	Borrowings raised	Interest charged	Interest paid	Reclassi-fication	31 December 2017
Borrowings							
Short-term	5 255 692	(5 823 067)	-	854 414	(854 414)	2 589 572	**2 022 197**
Long-term	3 013 848	(1 411 764)	5 175 000	-	-	(2 589 572)	**4 187 512**
Total	**8 269 540**	**(7 234 831)**	**5 175 000**	**854 414**	**(854 414)**	**-**	**6 209 709**

Borrowings bear an all-in cost of 9.84% (2016: 10.19%) and are secured as follows:

- US$5 870 000 is secured by freehold property valued at US$3.87 million, an unlimited guarantee from African Sun Limited (the "Company") and a US$7.0 million guarantee from Brainworks Capital Management (Private) Limited which carries a cost of 2.5% per annum (2016: nil),
- US$339 709 is secured by a notorial covering bond over receivables.

7 SEGMENT ANALYSIS

Management has determined the operating segments based on the reports reviewed by the executive committee (executive management team), that makes strategic decisions for the purpose of allocating resources and assessing performance.

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

The segments are made up of two strategic business segments which are;

1. Hotels under management

These are hotels managed by Legacy Hospitality Management Services Limited ("Legacy"), and comprise Elephant Hills Resort and Conferencing Centre, Troutbeck Resort, Hwange Safari Lodge, The Kingdom at Victoria Falls and Monomotapa Harare.

2. African Sun managed operations

African Sun managed operations are split into sub-segments which are;

(i) Hotels under franchise: these are hotels under the InterContinental Hotels Group ("IHG") Holiday Inn brand, and comprise Holiday Inn Harare, Holiday Inn Bulawayo and Holiday Inn Mutare.

(ii) Hotels operating under stand alone brands, comprising Great Zimbabwe Hotel and Caribbea Bay Resort.

(iii) Partnership, which is The Victoria Falls Hotel jointly operated with Meikles Hospitality (Private) Limited, and is an affiliate of the Leading Hotels of the World ("LHW").

(iv) Other complementary operations, that comprise Central office, Sun Casinos, and the Branch in South Africa.

The performance of these segments for the period under review is analysed below;

All figures in US$	Audited 31 December 2017	Audited 31 December 2016
Revenue		
Hotels under management	26 172 206	21 119 922
African Sun managed hotels	29 443 719	26 082 541
-Hotels under franchise	14 481 429	13 095 711
-Hotels under stand alone brands	3 541 995	2 766 738
-Partnership	7 450 882	6 303 060
-Other complementary operations	3 969 413	3 917 032
Intersegment transactions	(3 788 693)	(3 601 539)
	51 827 232	**43 600 924**
Gross profit		
Hotels under management	18 161 497	14 387 028
African Sun managed hotels	18 221 282	16 220 288
-Hotels under franchise	9 791 748	9 176 098
-Hotels under stand alone brands	2 472 504	1 962 854
-Partnership	5 794 119	4 794 526
-Other complementary operations	162 911	286 810
	36 382 779	**30 607 316**
Earnings before interest, tax, depreciation and amortization ("EBITDA")		
Hotels under management	1 594 283	(16 185)
African Sun managed hotels	6 775 214	5 501 016
-Hotels under franchise	1 940 918	1 667 434
-Hotels under stand alone brands	474 826	156 231
-Partnership	2 901 090	2 179 882
-Other complementary operations	1 458 380	1 497 469
	8 369 497	**5 484 831**

7 SEGMENT ANALYSIS (CONTINUED)

All figures in US$	Audited 31 December 2017	Audited 31 December 2016
Profit / (loss) before income tax		
Hotels under management	928 710	(1 117 965)
African Sun managed hotels	4 930 701	6 082 735
-Hotels under franchise	1 168 389	740 305
-Hotels under stand alone brands	361 376	37 963
-Partnership	2 982 069	1 959 242
-Other complementary operations	418 867	3 345 225
	5 859 411	**4 964 770**
Total assets		
Hotels under management	15 250 776	11 313 600
African Sun managed hotels	23 487 521	22 303 214
-Hotels under franchise	10 213 348	8 023 320
-Hotels under stand alone brands	2 123 026	1 575 521
-Partnership	3 797 575	3 799 413
-Other complementary operations	7 353 572	8 904 960
	38 738 297	**33 616 814**
Total liabilities		
Hotels under management	7 196 458	5 150 670
African Sun managed hotels	20 033 120	21 806 347
-Hotels under franchise	2 498 548	2 465 044
-Hotels under stand alone brands	934 135	859 901
-Partnership	1 707 205	1 596 057
-Other complementary operations	14 893 232	16 885 345
	27 229 578	**26 957 017**

8 EXPENSES BY NATURE

All figures in US$	Audited 31 December 2017	Audited 31 December 2016
Inventory recognised in cost of sales	5 600 596	4 110 350
Outside laundry in cost of sales	554 318	536 767
Employee costs in costs of sales	6 347 997	5 598 549
Other cost of sales	2 941 542	2 747 942
Employee costs in operating expenses	8 113 092	7 469 602
Depreciation expense	2 695 649	2 788 568
Operating lease costs	6 085 779	5 253 008
Repairs and maintenance	2 456 526	2 310 365
Electricity and water	2 497 764	2 544 880
Sales and marketing	1 841 113	1 415 525
Other expenses	7 019 004	6 118 935
Total cost of sales and operating expenses	**46 153 380**	**40 894 491**

There were no items of inventory impaired during the year (2016: US$nil).

9 SIGINIFICANT RELATED PARTY TRANSACTIONS

The following major transactions occurred with related parties;

(a) Operating lease rentals

African Sun Limited leases seven of its hotels from Dawn Properties Limited ("Dawn"). The two entities have one common major shareholder; Brainworks Capital Management (Private) Limited which holds 66.85% (2016: 66.85%) of the issued share capital of Dawn .

The Group was charged US$2.92 million (2016: US$2.25 million) by Dawn in rentals during the period under review.

(b) Balance arising from transactions with related parties

All figures in US$	Audited 31 December 2017	Audited 31 December 2016
Payables to related parties		
Payables to Dawn	**409 945**	**574 561**

The payables to Dawn arose from lease rentals and are due one month after billing.

All balances due to and from related parties are unsecured.

10 CAPITAL COMMITMENTS

All figures in US$	Audited 31 December 2017	Audited 31 December 2016
Authorised by Directors, but not contracted for	**4 963 957**	**6 262 291**

Capital commitments relate to acquisition of property and equipment and will be financed from cash generated from operations.

11 EVENTS AFTER REPORTING DATE

On 8 March 2018, the Board declared a final dividend of US$600 655 being US$0.000697 per share (0.0697 US cents per share) for the year ended 31 December 2017.

Directors: H. Nkala (Chairman), E. T. Shangwa (Managing Director)*, B. H. Dirorimwe (Finance Director)*, B. Childs, E. A. Fundira, A. Makamure, N. G. Maphosa, P. Saungweme. * Executive
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