AFRICAN SUN
LIMITED

UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018

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Financial highlights

Revenue: **29%** up to **US$27.04 mln**

Profit for the period: **US$3.11 mln** from **US$0.19 mln**

Occupancy: **10 p.p.** up to **55%**

Total Rev PAR: **31%** up to **US$94**

Rooms RevPAR: **33%** up to **US$53**

EBITDA: **US$5.27 mln** from **US$1.92 mln**

Finance costs: **33%** down to **US$0.33 mln**

ADR: **9%** up to **US$97**

Basic EPS: **0.36 cents** from **0.02 cents**

MESSAGE FROM THE CHAIRMAN

INTRODUCTION

I am pleased to present the interim results for the Group's six months trading period ended 30 June 2018.

BUSINESS OVERVIEW

The Group's trading and financial performance continued on an upward trajectory, registering a significant growth in profit for the period under review to US$3.11 million up from US$0.19 million reported for the same period last year. The improved performance in this traditional trough period is attributable to the growth in arrivals from our key source markets, in particular, Europe, Asia and United States of America, all on the back of global tourism resurgence.

There was a remarkable increase in volumes across the hotels, with city hotels benefitting significantly from elections, conferencing and corporate related business whilst Victoria Falls area hotels benefited from increased foreign arrivals. This positive trend was achieved despite the constrained macro-economic environment emanating from unresolved liquidity and foreign currency shortages. The cumulative impact of these macro-economic issues on our business is reflected in prices increases of imported inputs thereby putting pressure on our profit margins.

FINANCIAL REVIEW

The Group's revenue grew by 29% to US$27.04 million, up from US$21.01 million achieved in the comparable period last year. Domestic and foreign revenue growth was 26% and 32% respectively. The revenue growth is attributable to a 10 percentage points increase in occupancy, from 45% reported same period last year to 55% augmented by the 9% growth in Average Daily Rate ("ADR") from US$89 to US$97. Occupancy growth was driven by a strong performance from all our markets, with room nights sold for domestic, international and regional increasing by 16%, 26% and 22% respectively. As a result, revenue per available room ("RevPAR") increased by 33% to US$53 from US$40 achieved last year.

Operating profit was US$3.87 million up from US$0.51 million reported last year driven by improved revenue and cost efficiencies. Finance costs declined by a notable 33% from US$0.49 million to US$0.33 million due to loan repayments and lower average borrowing rates.

Adoption of new accounting standards

During the period under review, the Group changed its accounting policy relating to measurement and impairment of trade and other receivables by adopting IFRS 9 "Financial Instruments". This accounting standard provides for impairment based on expected credit losses rather than incurred losses. To this end, the opening balance of allowance for impairment of trade and other receivables increased by US$1,002 million and deferred tax liabilities decreased by US$233 320. The net impact was a US$768 369 reduction in retained earnings.

The Group also adopted IFRS 15, "Revenue from contracts with customers", whose impact to the financial position is nil. However, it requires additional disclosures in the notes to the financial statements.

OUTLOOK

The remaining trading period falls into the Group's peak trading season. We expect conferencing and international market business to drive performance. The Victoria Falls properties should continue to experience growth in foreign arrivals. The overall elections environment was generally peaceful, albeit there were isolated incidences of violence which resulted in some cancellations/deferment of a number of bookings particularly for the city hotels. However, we are confident that we will recover from the lost business in the remaining part of the year as our confirmed bookings are already higher than same period last year for most of our hotels. Various infrastructure projects around the country, including upgrading of Robert Gabriel Mugabe International Airport, the Beitbridge to Chirundu road rehabilitation and Beitbridge border post development will bring business opportunities for the Group.

Management will therefore continuously focus on revenue generation and cost reduction initiatives to navigate the current challenging business environment, leveraging our regional and international brands and their respective loyalty programmes. To complement these initiatives and in anticipation of increased occupancy in the future, we have rolled out a refurbishment programme to bring our hotels to regional and international standards. To this end, the company is set to spend US$2.1 million in the last quarter of 2018 in refurbishments.

DIRECTORATE AND MANAGEMENT CHANGES

Mr. H Nkala retired from the board on 28 June 2018. On behalf of the Board, I would like to take this opportunity to thank Mr. Nkala for his invaluable contribution during his tenure. I also take this opportunity to thank the Board of Directors for the confidence in nominating me as Chairman and look forward to working with them and other stakeholders as we tackle the challenges that lie ahead.

Mrs. T M Ngwenya and Mrs. G Chikomo were appointed to the Board on 30 August 2018, and I wish them well during their tenure.

INTERIM DIVIDEND

In view of the improved performance during the first half, but at the same time reserving funds for refurbishments, the Board has declared an interim dividend of US$500 689 which represents a payment of 0.0581 cents per share for the six months ended 30 June 2018.

APPRECIATION

I would like to commend fellow directors, management and staff for their sterling job. In addition, I would like to thank our partners and customers for their continued support to the Group.

A Makamure
30 August 2018

INTERIM DIVIDEND ANNOUNCEMENT

NOTICE IS HEREBY GIVEN THAT on 30 August 2018, the Board of Directors of African Sun Limited declared an interim dividend of US$0.000581 (0.0581 cents) per share payable in respect of all ordinary shares of the company.

This dividend is in respect of the 6 months ended 30 June 2018 and will be payable in full to all shareholders of the company registered at close of business on 21 September 2018. The payment of this dividend will take place on or about 28 September 2018.

The shares of the company will be traded cum-dividend ("with dividend") on the Stock Exchange up to the market day of 18 September 2018 and ex-dividend as from 19 September 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

30 August 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

All figures in US$	Note	Unaudited 30 June 2018	Audited 31 December 2017
Assets			
Non-current assets			
Property and equipment		22 072 977	21 284 122
Biological assets		159 198	159 198
Deferred tax assets		59 065	79 630
Other financial assets at amortised cost		265 516	343 683
		22 556 756	**21 866 633**
Current assets			
Inventories		2 034 933	2 087 639
Trade receivables		3 474 346	3 421 586
Other financial assets at amortised cost		3 211 503	2 999 888
Cash and cash equivalents		7 237 497	8 362 551
		15 958 279	**16 871 664**
Total assets		**38 515 035**	**38 738 297**
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		(3 530 943)	(3 468 047)
Accumulated losses		(17 024 700)	(18 764 635)
Total equity		**13 185 758**	**11 508 719**
Liabilities			
Non-current liabilities			
Trade and other payables		1 153 464	1 130 148
Borrowings	5	3 368 653	4 187 512
Deferred tax liabilities		3 772 198	4 195 643
		8 294 315	**9 513 303**
Current liabilities			
Trade and other payables		13 272 917	12 810 807
Current income tax		32 324	515 959
Provisions for other liabilities		1 967 524	2 367 312
Borrowings	5	1 762 197	2 022 197
		17 034 962	**17 716 275**
Total Liabilities		**25 329 277**	**27 229 578**
Total equity and liabilities		**38 515 035**	**38 738 297**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 30 June 2018

All figures in US$	Note	Unaudited 30 June 2018	Unaudited 30 June 2017
Revenue	6	27 041 297	21 012 102
Cost of sales		(8 202 848)	(6 700 874)
Gross profit		**18 838 449**	**14 311 228**
Other income		1 507 984	564 037
Operating expenses		(16 679 147)	(14 371 845)
Other expenses		(4 852)	(40 358)
Net impairment losses on financial assets		209 333	49 071
Operating profit		**3 871 767**	**512 133**
Finance income		1 903	1 466
Finance costs		(328 532)	(488 713)
Profit before income tax	**6**	**3 545 138**	**24 886**
Income tax (expense) / credit	8	(436 179)	166 354
Profit for the period		**3 108 959**	**191 240**
Other comprehensive income / (loss) net of tax:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		(62 896)	11 663
Total comprehensive income for the period		**3 046 063**	**202 903**
Earnings per share attributable to:			
Owners of the parent during the period:			
US cents			
Basic and diluted earnings	9	0.36	0.02
Headline earning per share	9	0.36	0.02

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 30 June 2018

All figures in US$	Unaudited 30 June 2018	Unaudited 30 June 2017
Cash flows from operating activities		
Cash generated from operations	4 155 840	601 226
Interest received	1 903	1 466
Interest paid	(328 532)	(488 713)
Tax paid	(1 089 374)	-
Net cash generated from operating activities	**2 739 837**	**113 979**
Cash flows from investing activities		
Purchase of property and equipment	(2 227 186)	(1 065 142)
Proceeds from sale of property and equipment	65 472	368 367
Net cash used in investing activities	**(2 161 714)**	**(696 775)**
Cash flows from financing activities		
Proceeds from borrowings	-	2 460 326
Dividend paid	(600 655)	-
Repayment of borrowings	(1 078 858)	(3 419 209)
Cash used in financing activities	**(1 679 513)**	**(958 883)**
Net decrease in cash and cash equivalents	**(1 101 390)**	**(1 541 679)**
Cash and cash equivalents at beginning of the period	8 362 551	4 885 160
Exchange (loss) / gain on cash and cash equivalents	(23 664)	8 293
Cash and cash equivalents at end of the period	**7 237 497**	**3 351 774**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2018

All figures in US$	Notes	Share capital	Share premium	Foreign currency translation reserve	Accumulated losses	Total equity
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 loss:						
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**
Six months ended 30 June 2018						
Balance as previously stated		8 617 716	25 123 685	(3 468 047)	(18 764 635)	**11 508 719**
Restatement as a result of adoption of IFRS 9	3	-	-	-	(768 369)	**(768 369)**
Balance as at 1 January 2018, as restated		**8 617 716**	**25 123 685**	**(3 468 047)**	**(19 533 004)**	**10 740 350**
Profit for the period		-	-	-	3 108 959	**3 108 959**
Other comprehensive income:						
Currency translation differences		-	-	(62 896)	-	**(62 896)**
Total comprehensive income for the period		-	-	(62 896)	3 108 959	**3 046 063**
Transactions with owners in their capacity as owners:						
Dividends declared out of 2017 profits and paid		-	-	-	(600 655)	**(600 655)**
		-	-	-	(600 655)	**(600 655)**
Balance as at 30 June 2018		**8 617 716**	**25 123 685**	**(3 530 943)**	**(17 024 700)**	**13 185 758**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 REPORTING ENTITY

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% (2017: 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 interim financial statements were approved for issue by the Directors on 30 August 2018.

2 BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" and do not include all the notes of the type normally included in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

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

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

A number of new or amended IFRS became applicable for the current reporting period and the Group had to change its accounting policies. The amended accounting policies are outlined below;

(i) Revenue from contracts with customers.

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

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

Revenue is derived from sale of rooms, food, beverages, gaming, conferencing and other sundry revenues. Revenue is recognised when or as the Group satisfies performance obligations by transfering a good or service to a customer. The Group has determined that it generates all its revenues at a point in time. Revenue is measured based on the consideration specified in the different contracts with customers and net of value-added tax, rebates and discounts.

AFRICAN SUN LIMITED

UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

3 ACCOUNTING POLICIES (CONTINUED)

(a) Revenue from sale of rooms

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

(b) Revenue from sale of food and beverages

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

(c) Revenue from gaming

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

(d) Revenue from conferencing

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

(e) Sundry revenue

This comprises of a number of ancillary activities that we perform at the various hotels. The nature of the income is such that the performance obligations, though different, are satisfied at a point in time. The activities comprise inter alia, guest laundry, horse riding and game drives. The transaction price in each of the activities is specified on the price list accessible to the customer before they utilise the given service.

The new standard on revenue recognition resulted in changes in naratives for accounting policies for revenue but did not change the basis for recognising revenue

The changes in accounting policies relating to revenue from contracts with customers did not require changes to the opening balance sheet.

(ii) Financial instruments

The Group adopted IFRS 9, "Financial instruments" from 1 January 2018 which resulted in changes in accounting policies.

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

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

- trade receivables from sale of rooms, food, beverages, conferencing, gaming and other related activities.
- staff receivables
- other receivables
- cash and cash equivalents

The Group revised its impairment methodology under IFRS 9 for each of these classes of financial assets.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The impact on classification and measurement of the classes of financial assets of the Group, as at 31 December 2017 on adoption of the new accounting policies is outlined below;

	IAS 39		IFRS 9	
Financial Assets	**Classification**	**Carrying amount (US$)**	**Classification**	**Carrying amount (US$)**
Trade receivables	Amortised cost (loans and receivables)	3 421 586	Amortised cost	2 736 143
Other receivables	Amortised cost (loans and receivables)	2 739 894	Amortised cost	2 519 241
Staff receivables	Amortised cost (loans and receivables)	603 677	Amortised cost	508 084
Cash and cash equivalents	Amortised cost (loans and receivables)	8 362 551	Amortised cost	8 362 551

The reclassifications and adjustments arising from the new impairment rules are not reflected in the balance sheet as at 31 December 2017 but are recognised in the opening balance sheet on 1 January 2018.

Adjustments recognised for each individual line item of the statement of financial position are shown below. Line items that were not affected by the changes have not been included.

All figures in US$	31 Dec 2017 as originally presented	IFRS 9 adjustment	1 January 2018 adjusted
Balance sheet extract			
Non-current assets			
Other financial assets at amortised cost	**343 683**	(1 912)	**341 771**
Current assets			
Trade receivables	**3 421 586**	(685 443)	**2 736 143**
Other financial assets at amortised cost	**2 999 888**	(314 334)	**2 685 554**
	6 421 474	(999 777)	**5 421 697**
Total Assets	**6 765 157**	(1 001 689)	**5 763 468**
Non-current liabilities			
Deferred tax liabilities	**4 195 643**	(233 320)	**3 962 323**
Net assets	**2 569 514**	(768 369)	**1 801 145**
Equity			
Accumulated losses	**(18 764 635)**	(768 369)	**(19 533 004)**

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance for trade receivables as at 1 January 2018 was determined as follows;

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120+ days past due	Total
Average expected loss rate	6%	8%	8%	50%	100%	**27%**
Gross carrying amount	1 547 421	703 505	513 773	325 105	672 910	**3 762 714**
Loss allowance	96 123	57 847	41 102	162 413	672 910	**1 030 395**

3 ACCOUNTING POLICIES (CONTINUED)

Other financial assets at amortised cost include staff debtors, receivables from related parties and other receivables. Applying the expected credit risk model resulted in the recognition of a loss allowance of US$316 246 on 1 January 2018 (previous loss allowance was nil) and a decrease in the allowance by US$41 973 in the six months ending 30 June 2018.

The other amendments to IFRS did not have a material impact on the Group's accounting policies and did not require any adjustments.

4 GOING CONCERN

The Group recorded a profit for the period of US$3.11 million, a significant improvement from a break-even position recorded in the same period last year. The performance was commendable given that the first six months is usually our trough period. This performance improved the group's EBITDA position to US$3.76 million from US$1.4 million reported last year, positively reflected in the cash generation position of the Group. Though the working capital gap increased to US$1 076 683 from the December 2017 position of US$844 612, this was due to the negative impact of adopting IFRS 9, "Financial instruments". From the forecasts done for the remainder of the year, the Group expects better performance in the second half, and this will further improve the EBITDA, profitability and cash flow position.

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

5 BORROWINGS

All figures in US$	As at 30 June 2018 Unaudited	As at 31 Dec 2017 Audited
Non-current:		
Local bank loans	**3 368 653**	**4 187 512**
Current:		
Local bank loans	1 762 197	2 022 197
Total borrowings	**5 130 850**	**6 209 709**

Borrowings bear an average interest rate of 9.98% annually (2017: 10.37%) and were secured as follows:

- US$0.08 million secured by notarial general covering bond (NGCB) on receivables amounting to US$0.08 million;
- US$5.05 million secured by a US$7 million guarantee from Brainworks and freehold property valued at US$3.87 million.

6 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.

All revenues are recognised at a point in time

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

(i) 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.

(ii) African Sun managed operations

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

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

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

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

(d) 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$	Half year ended 30 June 2018 Unaudited	Half year ended 30 June 2017 Unaudited
Revenue		
Hotels under management	13 298 816	9 602 719
African Sun managed operations	14 365 769	13 081 056
-Hotels under franchise	8 352 183	6 621 783
-Hotels under stand alone brands	1 574 746	1 530 849
-Partnership	3 683 101	3 213 749
-Other complementary operations	755 739	1 714 675
Intersegment transactions	(623 288)	(1 662 673)
	27 041 297	**21 021 102**
Gross profit		
Hotels under management	9 117 789	6 246 239
African Sun managed operations	9 720 660	8 064 989
-Hotels under franchise	5 737 959	4 510 169
-Hotels under stand alone brands	1 025 303	1 047 323
-Partnership	2 831 467	2 463 948
-Other complementary operations	125 931	43 549
	18 838 449	**14 311 228**
Earnings / (loss) before interest, tax, depreciation and amortization ("EBITDA")		
Hotels under management	1 434 087	(626 319)
African Sun managed operations	3 833 492	2 545 241
-Hotels under franchise	1 840 474	779 939
-Hotels under stand alone brands	150 363	91 953
-Partnership	1 562 958	1 419 762
-Other complementary operations	279 697	253 587
	5 267 579	**1 918 922**
Profit / (loss) before income tax		
Hotels under management	850 135	(1 238 350)
African Sun managed hotels	2 695 003	1 263 236
-Hotels under franchise	1 341 899	341 251
-Hotels under stand alone brands	87 892	22 398
-Partnership	1 403 182	1 252 601
-Other complementary operations	(137 970)	(353 014)
	3 545 138	**24 886**

All figures in US$	As at 30 June 2018 Unaudited	As at 31 December 2017 Audited
Total assets		
Hotels under management	15 359 699	15 250 776
African Sun managed hotels	23 155 336	23 487 521
-Hotels under franchise	11 138 828	10 213 348
-Hotels under stand alone brands	1 804 501	2 123 026
-Partnership	4 707 826	3 797 575
-Other complementary operations	5 504 181	7 353 572
	38 515 035	**38 738 297**

6 SEGMENT ANALYSIS (CONTINUED)

All figures in US$	As at 30 June 2018 Unaudited	As at 31 December 2017 Audited
Total liabilities		
Hotels under management	7 533 946	7 196 458
African Sun managed hotels	17 795 331	20 033 120
-Hotels under franchise	3 045 148	2 498 548
-Hotels under stand alone brands	809 026	934 135
-Partnership	1 860 126	1 707 205
-Other complementary operations	12 081 031	14 893 232
	25 329 277	**27 229 578**

7 EXPENSES BY NATURE

All figures in US$	Half year ended 30 June 2018 Unaudited	Half year ended 30 June 2017 Unaudited
Inventory recognised in cost of sales	2 973 235	2 363 644
Outside laundry in cost of sales	260 375	226 144
Employee costs in costs of sales	3 318 016	3 016 355
Other cost of sales	1 651 222	1 094 731
Employee costs in operating expenses	4 643 675	4 235 534
Depreciation expense	1 395 812	1 406 789
Operating lease costs	3 065 200	2 548 916
Repairs and maintenance	1 273 823	971 217
Other expenses	6 300 637	5 209 389
Total cost of sales and operating expenses	**24 881 995**	**21 072 719**

8 INCOME TAX EXPENSE

Income tax (expense) / credit is made of the following;		
Current income tax expense	(605 739)	-
Deferred tax credit	169 560	166 354
Income tax (expense) / credit	**(436 179)**	**166 354**

9 EARNINGS AND NET ASSET VALUE PER SHARE

(i) Earnings per share		
Basic and dilute earnings per share (US cents)	0.36	0.02
Headline earnings per share (US cents)	0.36	0.02
Reconciliation of earnings used in calculating earnings per share is as follows,		
Earnings attributable to owners of the parent	3 108 959	191 240
Adjustments for;		
Loss from disposal of property and equipment	10 047	4 310
Headline earnings attributable to owners of the parent	3 119 006	195 550
Weighted average number of shares used as the denominator is as follows;		
Number of shares in issue	861 771 777	861 771 777
Weighted average number of shares in issue for earnings and net asset value per share	861 771 777	861 771 777

The Group does not have dilutive potential ordinary shares (2017: nil)

(ii) Net assets value and net tangible asset value per share

All figures in US$	As at 30 June 2018 Unaudited	As at 31 Dec 2017 Audited
Net asset value per share (US cents)	1.53	1.34
Net tangible asset value per share (US cents)	1.52	1.33
Reconciliation of net tangible asset value used in calculating net tangible asset value per share is as follows,		
Net asset value as per statement of financial position	13 185 758	11 508 719
Adjusted for intangible assets;		
Deferred tax asset	(59 065)	(79 630)
Net tangible assets	**13 126 693**	**11 429 089**

10 CAPITAL COMMITMENTS

All figures in US$	As at 30 June 2018 Unaudited	As at 31 Dec 2017 Audited
Authorised by Directors and contracted for	-	-
Authorised by Directors, but not contracted for	2 736 771	4 963 957
	2 736 771	**4 963 957**

Capital commitments relate to acquisition of property and equipment and will be financed mainly from normal operating cash flows.

11 KEY RELATED PARTY TRANSACTIONS AND BALANCES

(i) Transactions 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 which holds 66.81% (2017: 66.81%) of the issued share capital of Dawn.

The Group was charged US$1.52 million (2017: US$1.14 million) by Dawn in rentals during the period under review.

(b) Guarantee from Brainworks Capital Management (Private) Limited for loan facilities

Borrowings amounting to US$5.05 million (2017: US$5.87 million) are secured partly by a US$7 million guarantee from Brainworks.

Guarantee commission amounting to US$47 208 (2017: US$nil) were charged to income statement during the half year ended 30 June 2018.

(ii) Balance arising from transactions with related parties

All figures in US$	As at 30 June 2018 Unaudited	As at 31 Dec 2017 Audited
Payables to related parties		
Payables to Dawn	430 943	409 945
Payables to Brainworks	34 719	121 993
	465 662	**531 938**

The payables to Dawn arose from lease rentals and are due one month after billing. Over due amounts are charged interest at prevailing market rates.

Payables to Brainworks relate to guarantee commission on borrowings and do not carry interest.

All balances due to and from related parties are unsecured.

12 EVENTS AFTER REPORTING DATE

On 30 August 2018, the Board declared an interim dividend of US$500 689 being US$0.000581 per share (0.0581 US cents per share) for the half year ended 30 June 2018.

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