Zeno Capital Limited

(Registration number 1628131)
Group Annual Financial Statements
for the year ended 31 December 2017

These group annual financial statements were prepared by:
U Jensen
Group Financial Accountant

Certified Master Auditors (South Africa) Incorporated
Chartered Accountants (SA)
Registered Auditors

Issued 28 March 2018

General Information

Country of incorporation and domicile	Virgin Islands (British)
Nature of business and principal activities	Proprietary investments and property
Directors	A Vassilopoulos GR Poole CM Vining G Roussos
Registered office	19 Waterfront Drive Road Town Tortola British Virgin Islands VG1110
Business address	19 Waterfront Drive Road Town Tortola British Virgin Islands VG1110
Postal address	PO Box 3540 Road Town Tortola British Virgin Islands VG1110
Holding company	HBW Group Proprietary Limited incorporated in South Africa
Ultimate holding company	Supaluck Investments Proprietary Limited incorporated in South Africa
Bankers	Investec Private Bank
Auditors	Certified Master Auditors (South Africa) Incorporated Chartered Accountants (SA) Registered Auditors
Secretary	Totalserve Trust Company Limited
Company registration number	1628131
Preparer	The group annual financial statements were internally compiled by: U Jensen Group Financial Accountant
Issued	28 March 2018

Contents

	Page
Audit Committee Report	3 - 4
Directors' Responsibilities and Approval	5
Directors' Report	6 - 7
Independent Auditor's Report	8 - 10
Statement of Financial Position	11
Statement of Profit or Loss and Other Comprehensive Income	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Accounting Policies	15 - 22
Notes to the Group Annual Financial Statements	23 - 40

Preparer

U Jensen
Group Financial Accountant

Published

28 March 2018

Audit Committee Report

This report is provided by the audit committee appointed in respect of the 2017 financial year of Zeno Capital Limited.

1. Members of the Audit Committee

The members of the audit committee include:

Name	Qualification
A Vassilopoulos	
G Roussos	CA(SA)

The committee is satisfied that the members thereof have the required knowledge and experience as set out in the BVI Business Companies Act, 2004.

2. Meetings held by the Audit Committee

The audit committee performs the duties laid upon it by the BVI Business Companies Act, 2004 by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

3. External auditor

The audit committee has nominated Certified Master Auditors (South Africa) Incorporated as the independent auditor and George Davias as the designated partner, who is a registered independent auditor, for appointment of the 2017 audit.

The committee satisfied itself through enquiry that the external auditors are independent as defined by the BVI Business Companies Act, 2004 and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the BVI Business Companies Act, 2004 that internal governance processes within the firm support and demonstrate the claim to independence.

The audit committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

4. Group Annual Financial Statements

Following the review of the group annual financial statements the audit committee recommend board approval thereof.

5. Accounting practices and internal control

The audit committee has monitored the system of internal financial control established by the company and ensured that the directors have placed considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, an audit committee charter is in place setting out the committee's roles and responsibilities. These include:
- reviewing accounting, auditing and financial reporting matters;
- ensuring an effective control environment is maintained;
- assessing adherence to controls;
- monitoring proposed changes in accounting policies;
- advising the board on the accounting implications of major transactions;
- recommending the appointment of external auditors for approval;
- assessing adherence to controls and systems within the company;
- monitoring and appraising internal operating structures and systems to ensure that these are maintained;
- establishing guidelines for recommending the use of external auditors for non-audit services.

Audit Committee Report

6. Financial reporting framework

The audit committee approves that the reporting framework used to prepare the financial statements, being International Financial Reporting Standards, is appropriate.

On behalf of the audit committee

George Roussos
Chairman Audit Committee

Johannesburg

28 March 2018

Directors' Responsibilities and Approval

The directors are required in terms of the BVI Business Companies Act, 2004 to maintain adequate accounting records and are responsible for the content and integrity of the group annual financial statements and related financial information included in this report. It is their responsibility to ensure that the group annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the group annual financial statements.

The group annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the group annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 December 2018 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's group annual financial statements. The group annual financial statements have been examined by the company's external auditors and their report is presented on pages 8 to 10.

The group annual financial statements set out on pages 11 to 40, which have been prepared on the going concern basis, were approved by the directors on 28 March 2018 and were signed on their behalf by:

Director	**Director**

Johannesburg

28 March 2018

Directors' Report

The directors have pleasure in submitting their report on the group annual financial statements of Zeno Capital Limited for the year ended 31 December 2017.

1. Review of financial results and activities

The group annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the BVI Business Companies Act, 2004. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these group annual financial statements.

2. Share capital

	2017	2016
Authorised	Number of shares	
Ordinary shares	50 000	50 000

	2017	2016	2017	2016
Issued	$ '000	$ '000	Number of shares	
Ordinary shares	81 728	81 728	46 748	46 748

Refer to note 9 of the group annual financial statements for detail of the movement in authorised and issued share capital. Subsequent to year end, the authorised share capital has been increased to 100 000 shares of par value US$1 000 each and the company is authorised to issue a maximum of 100 000 shares with a par value of US$1 000 each as per the resolution and Memorandum of the company.

3. Authority to buy back shares

At the last AGM shareholders gave the company a general approval in terms of the BVI Business Companies Act, 2004, by way of special resolution, for the acquisition of its own shares. This general approval remains valid only until the next AGM is held on 28 March 2018.

4. Dividends

No dividends have been declared for the financial year ended 31 December 2017.

5. Insurance and risk management

The company follows a policy of reviewing the risks relating to assets and possible liabilities arising from business transactions with its insurers on an annual basis. Wherever possible assets are automatically included. There is also a continuous asset risk control programme, which is carried out in conjunction with the company's insurance brokers. All risks are considered to be adequately covered.

6. Directorate

The directors in office at the date of this report are as follows:

Directors	Nationality
A Vassilopoulos	South African
GR Poole	South African
CM Vining	South African
G Roussos	South African

There have been no changes to the directorate for the year under review.

7. Holding company

The company's holding company is HBW Group Proprietary Limited which holds 66.11% (2016: 66.11%) of the company's equity. HBW Group Proprietary Limited is incorporated in South Africa.

Directors' Report

8. Ultimate holding company

The company's ultimate holding company is Supaluck Investments Proprietary Limited which is incorporated in South Africa.

9. Events after the reporting period

- A subsidiary of the company concluded an agreement to acquire a fifty percent interest in the P1 LM prototype from Dean Lanzante via a special purpose vehicle Project 2 Holdings Limited for GBP 2 300 000.
- City Properties (London) and Basinghall Properties successfully refinanced the HSH loans via an extension of the maturity date to June 2023 (this occurred in February 2018).
- From 1 January to 22 March 2018, medium term Sterling swap rates rose sharply, in the order of 40 basis points. This has the effect of reducing the interest rate swap liabilities by approximately GBP8.5 million and GBP13.5 million for City Properties and RHUT respectively and increasing income by GBP27 million.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report, which could have a material effect on these financial statements.

10. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the group annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

11. Litigation statement

The company becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. The company is not currently involved in any such claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets.

12. Secretary

The company secretary is Totalserve Trust Company Limited.

Postal address:	P.O. Box 3540 Road Town Tortola British Virgin Islands VG1110
Business address:	19 Waterfront Drive Road Town Tortola British Virgin Islands VG1110

13. Terms of appointment of the auditors

Certified Master Auditors (South Africa) Incorporated continued in office as auditors for the company for 2017.

At the AGM, the shareholders will be requested to reappoint Certified Master Auditors (South Africa) Incorporated as the independent external auditors of the company and to confirm Mr G Davias as the designated lead audit partner for the 2018 financial year.

14. Date of authorisation for issue of financial statements

The group annual financial statements have been authorised for issue by the directors on 28 March 2018.

Independent Auditor's Report

To the shareholders of Zeno Capital Limited

Opinion

We have audited the financial statements of Zeno Capital Limited set out on pages 11 to 40, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Zeno Capital Limited as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the BVI Business Companies Act, 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the group annual financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of group annual financial statements in Virgin Islands (British). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Virgin Islands (British). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

We are required in terms of ISA701 to report on key audit matters being those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investment properties comprise the most significant balance in the statement of financial position. The investment properties are shown at fair value through profit and loss. The investment properties are shown at fair values according to a valuation prepared by the directors. The valuation requires significant management judgment and estimation. The investment properties are also valued by independent valuators periodically. The factors that influence the fair values of the properties are, amongst others, the location and the income generated from leases.

Our audit procedures included examination of the methodology used by management and recalculation of values where applicable. All of the investment properties are fully let to third parties, with the exception of the Park Street property which was redeveloped and as at 2017 it was substantially complete and is currently held for sale. Also, vacant land which is in the early stages of development, situated in Petersfield.

Other investment assets comprise various investment cars that make up a significant balance in the statement of financial position. The investment cars are disclosed at fair value through profit and loss. The fair value of the investment cars requires significant management judgment and estimation.

In determining the fair value of the investment cars, management has taken into account various factors. These include but are not restricted to the vintage, condition, rarity, special features, auction activities and recent sales prices achieved for similar vehicles.

Our audit procedures included enquiries and discussions with management to ensure that the above methodology was appropriate in the circumstances and was fairly applied. Our examination included determining amounts realized upon disposal of similar vehicles by the group and outside parties before and after the end of the reporting period.

There were no matters regarding the valuations that came to our attention that would affect our opinion above.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report and the Audit Committee's Report as required by the BVI Business Companies Act, 2004 of Virgin Islands (British), which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the BVI Business Companies Act, 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Certified Master Auditors (South Africa) Incorporated
Per: G Davias
Director
Chartered Accountant (SA)
Registered Auditor

28 March 2018
Johannesburg
CMA Office Park
No 1 Second Road
Halfway House
Midrand
South Africa

Statement of Financial Position as at 31 December 2017

Figures in US Dollar thousand	Note(s)	2017	2016
Assets			
Non-Current Assets			
Investment property	3	1 193 656	570 293
Loans to group companies	5	-	5 266
Other financial and investment assets	6	95 876	69 904
		1 289 532	**645 463**
Current Assets			
Trade and other receivables	7	1 879	7 697
Cash and cash equivalents	8	12 226	12 387
		14 105	**20 084**
Total Assets		**1 303 637**	**665 547**
Equity and Liabilities			
Equity			
Equity Attributable to Equity Holders of Parent			
Share capital	9	81 728	81 728
Reserves		(6 353)	103 925
Retained income		266 106	57 416
		341 481	243 069
Non-controlling interest		18 074	12 731
		359 555	**255 800**
Liabilities			
Non-Current Liabilities			
Loans from group companies	5	19 861	10
Other financial liabilities	12	865 581	395 547
		885 442	**395 557**
Current Liabilities			
Other financial liabilities	12	35 521	4 207
Trade and other payables	13	23 119	9 983
		58 640	**14 190**
Total Liabilities		**944 082**	**409 747**
Total Equity and Liabilities		**1 303 637**	**665 547**

Statement of Profit or Loss and Other Comprehensive Income

Figures in US Dollar thousand	Note(s)	2017	2016
Revenue	14	26 788	25 641
Operating income	15	-	206
Operating gains (losses)	16	235 382	(50 672)
Operating expenses		(1 696)	(1 171)
Operating profit (loss)	17	**260 474**	**(25 996)**
Investment income	18	3 660	1 472
Finance costs	19	(23 551)	(23 718)
Other non-operating gains		10	53 222
Profit before taxation		**240 593**	**4 980**
Taxation	20	-	7
Profit for the year		**240 593**	**4 987**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(110 427)	62 111
Other comprehensive income for the year net of taxation	21	**(110 427)**	**62 111**
Total comprehensive income for the year		**130 166**	**67 098**

Profit attributable to:		
Owners of the parent	235 250	5 362
Non-controlling interest	5 343	(375)
	240 593	**4 987**
Total comprehensive income attributable to:		
Owners of the parent	124 823	67 473
Non-controlling interest	5 343	(375)
	130 166	**67 098**

Statement of Changes in Equity

Figures in US Dollar thousand	Share capital	Foreign currency translation reserve	Treasury capital	Total reserves	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Balance at 01 January 2016	**30 091**	**50 420**	**(8 730)**	**41 690**	**53 331**	**125 112**	**5 287**	**130 399**
Profit for the year	-	-	-	-	5 362	5 362	(375)	4 987
Other comprehensive income	-	62 111	-	62 111	-	62 111	-	62 111
Total comprehensive income for the year	**-**	**62 111**	**-**	**62 111**	**5 362**	**67 473**	**(375)**	**67 098**
Issue of shares	51 637	-	-	-	-	51 637	-	51 637
Sale of treasury shares	-	-	124	124	-	124	-	124
Dividends	-	-	-	-	(1 277)	(1 277)	-	(1 277)
Changes in ownership interest	-	-	-	-	-	-	7 819	7 819
Total contributions by and distributions to owners of company recognised directly in equity	**51 637**	**-**	**124**	**124**	**(1 277)**	**50 484**	**7 819**	**58 303**
Balance at 01 January 2017	**81 728**	**112 531**	**(8 606)**	**103 925**	**57 416**	**243 069**	**12 731**	**255 800**
Profit for the year	-	-	-	-	235 250	235 250	5 343	240 593
Other comprehensive loss	-	(110 427)	-	(110 427)	-	(110 427)	-	(110 427)
Total comprehensive income for the year	**-**	**(110 427)**	**-**	**(110 427)**	**235 250**	**124 823**	**5 343**	**130 166**
Equity on acquisition of subsidiary	-	-	-	-	(26 560)	(26 560)	-	(26 560)
Sale of treasury shares	-	-	149	149	-	149	-	149
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**149**	**149**	**(26 560)**	**(26 411)**	**-**	**(26 411)**
Balance at 31 December 2017	**81 728**	**2 104**	**(8 457)**	**(6 353)**	**266 106**	**341 481**	**18 074**	**359 555**
Note(s)	9	10&21	11					

Statement of Cash Flows

Figures in US Dollar thousand	Note(s)	2017	2016
Cash flows from operating activities			
Cash generated from operations	22	44 046	8 076
Interest income		3 660	1 472
Tax received	23	-	7
Net cash from operating activities		**47 706**	**9 555**
Cash flows from investing activities			
Purchase of investment property	3	(489 577)	(5 915)
Net movement in group loans		25 117	(3 399)
Net movement in other financial and investment assets		(10 109)	1 056
Net cash from investing activities		**(474 569)**	**(8 258)**
Cash flows from financing activities			
Proceeds on share issue	9	-	51 637
Net movement in buy back of shares	11	149	124
Net movement in other financial liabilities		450 104	(37 704)
Dividends paid	24	-	(1 277)
Finance costs		(23 551)	(23 718)
Net cash from financing activities		**426 702**	**(10 938)**
Total cash movement for the year		**(161)**	**(9 641)**
Cash at the beginning of the year		12 387	22 028
Total cash at end of the year	8	**12 226**	**12 387**

Accounting Policies

Corporate information

Zeno Capital Limited is a public limited company incorporated and domiciled in Virgin Islands (British).

1. Significant accounting policies

The principal accounting policies applied in the preparation of these group annual financial statements are set out below.

1.1 Basis of preparation

The group annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these group annual financial statements and the BVI Business Companies Act, 2004.

The group annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in US Dollars, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Consolidation

Basis of consolidation

The consolidated group annual financial statements incorporate the group annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the consolidated group annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the group annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of group annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The 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 periods affected.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

Key sources of estimation uncertainty

Trade receivables

The company assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

1.4 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

There are no property interests held under operating leases which are recognised as investment property.

1.5 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through profit or loss - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Accounting Policies

1.5 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the company's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the company's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss, while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Accounting Policies

1.5 Financial instruments (continued)

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Accounting Policies

1.5 Financial instruments (continued)

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

Accounting Policies

1.8 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

1.10 Provisions and contingencies

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

Accounting Policies

1.10 Provisions and contingencies (continued)

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.11 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.12 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.13 Translation of foreign currencies

Investments in subsidiaries, joint ventures and associates

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

Figures in US Dollar thousand | 2017 | 2016

Notes to the Group Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 12: Annual Improvements to IFRS 2014 - 2016 cycle	01 January 2017	The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
• Amendments to IAS 7: Disclosure initiative	01 January 2017	The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 January 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Insurance Contracts	01 January 2021	Not expected to impact results but may result in additional disclosure
• IFRS 16 Leases	01 January 2019	Impact is currently being assessed
• IFRS 9 Financial Instruments	01 January 2018	Impact is currently being assessed
• IFRS 15 Revenue from Contracts with Customers	01 January 2018	Unlikely there will be a material impact
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01 January 2018	Unlikely there will be a material impact

Notes to the Group Annual Financial Statements

Figures in US Dollar thousand	2017	2016

3. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	1 193 656	-	1 193 656	570 293	-	570 293

Reconciliation of investment property - 2017

	Opening balance	Additions	Foreign exchange movements	Fair value adjustments	Total
Investment property	570 293	489 577	(74 025)	207 811	1 193 656

Reconciliation of investment property - 2016

	Opening balance	Additions	Fair value adjustments	Total
Investment property	592 246	5 915	(27 868)	570 293

Investment property held for sale

	2017	2016
111 - 113 Park Street, Mayfair, London, W1K	23 419	-

Notes to the Group Annual Financial Statements

Figures in US Dollar thousand	2017	2016

3. Investment property (continued)

Details of property

35 Basinghall Street, London, EC2 and 16 Coleman Street, London, EC2R
The property is let to Standard Chartered Bank on a fully repairing and insuring lease expiring on 28 June 2027. The property has been mortgaged as security for the liability noted in note 12.

	2017	2016
- Purchase price: April 2013	346 497	346 497
- Capitalised expenditure	1 238	1 238
- Fair value adjustments	195 234	39 338
- Foreign exchange movements	(83 527)	-
	459 442	**387 073**

111 - 113 Park Street, Mayfair, London, W1K
The property has been redeveloped. The property has been mortgaged as security for the liability noted in note 12.

	2017	2016
- Purchase price: November 2013	18 214	18 214
- Capitalised expenditure and additions	8 739	8 196
- Foreign exchange movements	(3 534)	-
	23 419	**26 410**

Dry Goods Distribution Centre, Lanistown, Donabate, County Dublin
The property is let to Tesco Ireland Limited on a fully repairing and insuring lease expiring in December 2032. The lease has been guaranteed by Tesco PLC. The property has been mortgaged as security for the liability noted in note 12.

	2017	2016
- Purchase price: October 2014	151 323	151 323
- Capitalised expenditure	166	166
- Fair value adjustments	16 153	16 153
- Foreign exchange movements	428	(12 454)
	168 070	**155 188**

Riverbank House, 95-103 Upper Thames Street, London EC4R 3TJ
Long Leasehold Interest in land for a term of 155 years from 31 August 2007. The Head Lease contains a no cost option to renew for a further 50 years beyond this date. The property has been developed and is let in its entirety with a 25.5 year lease term from 26 May 2010. The property has been mortgaged as security for the liability noted in note 12.

	2017	2016
- Purchase price: December 2017	485 522	-
- Capitalised expenditure	3 083	-
- Fair value adjustments	51 915	-
	540 520	**-**

Land at Buckmore Farm, Winchester Road, Petersfield GU32 3BU
Land held under title deed number SH46251

	2017	2016
- Purchase price: June 2016	1 622	1 622
- Capitalised expenditure	429	-
- Foreign exchange movements	154	-
	2 205	**1 622**

Notes to the Group Annual Financial Statements

Figures in US Dollar thousand	2017	2016

3. Investment property (continued)

Details of valuation

The effective date of the valuation was 31 December 2017. The investment property is disclosed at the directors valuation as at the reporting date. The investment property is independently valued periodically.

The Directors are not aware of any material change in the property valuation since the balance sheet date.

Amounts recognised in profit and loss for the year

Rental income from investment property	26 626	25 480

4. Interests in subsidiaries

Name of company	Nature of business	% holding 2017	% holding 2016
Abatewood Limited	Property holding	100.00 %	100.00 %
Axel Finance Company Limited	Asset lending	68.60 %	68.60 %
Basinghall Properties Limited	Property holding	100.00 %	100.00 %
Caro Investment Holdings Limited	Investment holding	68.60 %	68.60 %
City Properties (London) Limited	Property holding	100.00 %	100.00 %
Kiklo Cars Limited	Investment holding	68.60 %	68.60 %
Kiklo Cars USA LLC	Investment holding	68.60 %	68.60 %
Kreis Kapital UG	Investment holding	68.60 %	68.60 %
Mayfair Properties Limited	Property holding	31.50 %	31.50 %
P43 Limited	Property holding	100.00 %	- %
Pikes Peak Properties Limited	Property holding	68.60 %	68.60 %
Primezone Properties Limited	Investment holding	100.00 %	100.00 %
Project 2 Holdings Limited	Investment holding	34.30 %	- %
Riverbank House Unit Trust	Property holding	100.00 %	- %
Trimantle Unit Trust	Property holding	100.00 %	100.00 %
Zeno (Ireland) Funds PLC	Property holding	100.00 %	100.00 %

Notes to the Group Annual Financial Statements

Figures in US Dollar thousand	2017	2016
5. Loans to (from) group companies		
Holding company		
HBW Group Proprietary Limited	(19 851)	5 266
The loan is unsecured, interest free and has no fixed terms of repayment. The loan relates to offshore subsidiaries of HBW Group Proprietary Limited. The loan is not expected to be repaid in the next twelve months.		
Fellow subsidiaries		
Zeno Capital (USA) Incorporated	(10)	(10)
The loan is unsecured, interest free and has no fixed terms of repayment. The loan is not expected to be repaid in the next twelve months.		
Non-current assets	-	5 266
Non-current liabilities	(19 861)	(10)
	(19 861)	**5 256**
6. Other financial and investment assets		
At fair value through profit or loss - designated		
Other investment assets	89 737	67 896
Investment in investment cars.		
At fair value through profit or loss - held for trading		
Listed shares	4	4
Listed shares in the Bank of Cyprus Public Company Limited. The shares were listed on the ASE in December 2014.		
Held to maturity		
CPI inflation swap	847	2 004
Zeno (Ireland) Funds PLC, a subsidiary of the Company, has entered into a Consumer Price Index Swap where it receives a fixed increase of 2.51% and pays over the variable increase in underlying rental received from the tenant, which is indexed against CPI as published by the central statistics office in Ireland. The swap matures in May 2018. The CPI swap and the IRS swap can not be cancelled, novated, transferred or otherwise disposed of indepenently of each other.		
Investment - Fireblade Automotive Project	1 689	-
Fifty percent interest in the Porsche TAG Project.		
	2 536	**2 004**
Deposits		
Deposits paid	3 599	-
Deposits paid relating to the acquisition of investment cars.		
Total other financial assets	**95 876**	**69 904**

Notes to the Group Annual Financial Statements

Figures in US Dollar thousand	2017	2016

6. Other financial and investment assets (continued)

Non-current assets		
Designated as at fair value through profit (loss) (Fair value through income)	89 737	67 896
Held for trading (fair value through income)	4	4
Held to maturity	2 536	2 004
Deposits	3 599	-
	95 876	**69 904**

Fair value information

Investment assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

The following classes of investment assets at fair value through profit or loss are measured to fair value based on directors valuations using market prices:

- Listed shares
- Investment cars

The company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

7. Trade and other receivables

Prepayments	1 100	58
Deposits paid	213	1 384
Short term loan	-	5 814
Other receivables	566	441
	1 879	**7 697**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	12 226	12 387

9. Share capital

Authorised		
50 000 Ordinary shares of US$1 000 each	50 000	50 000
Issued		
46 748 Ordinary shares	81 728	81 728

10. Foreign currency translation reserve

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries.

Opening balance	112 531	50 420
Current year movement	(110 427)	62 111
	2 104	**112 531**

Notes to the Group Annual Financial Statements

Figures in US Dollar thousand	2017	2016

11. Treasury capital

2 776 (2016: 2 816) shares at $3 100 per share	(8 606)	(8 730)
48 (2016: 40) shares sold at $3 100 per share	149	124
2 728 shares at $3 100 per share	**(8 457)**	**(8 606)**

12. Other financial liabilities

At fair value through profit (loss)		
Interest rate swaps	197 536	69 943

Two amortising interest rate swaps with a notional value of US$ 341 259 600 held for the Basinghall senior debt with a swap rate of 4.45% maturing in June 2027. The market value of the swap as at 31 December 2017 was negative US$ 67 036 057 (2016: negative US$ 64 870 189). The swap is cross collateralised with the facilitating Bank's security interest in the Trimantle Unit Trust and the mortgage over the property

Zeno (Ireland) Funds PLC, a subsidiary of the Company, has entered into an interest rate swap with a notional value of US$ 114 043 643 and a rate of 1.93% maturing in September 2019. The market value of the swap as at 31 December 2017 was negative US$ 3 601 655 (2016: Negative US$ 5 072 814).

The Unit Trust is counterparty to an amortising fixed-for floating interest rate swap with a current notional amount of US$ 341 543 817, a current fixed rate of 3.5% and a floating rate of 3 months Libor. The swap is secured by the Long Leasehold Interest and the units in Riverbank House Unit Trust. The market value of the swap as at 31 December 2017 was negative US$ 126 898 451.

Notes to the Group Annual Financial Statements

Figures in US Dollar thousand	2017	2016
12. Other financial liabilities (continued)		
Held at amortised cost		
Mortgage bond 35 Basinghall Street, London Secured loan bearing interest at a linked rate. The loan facility has been extended to 30 June 2023. This extension is subject to certain capital downpayments. The loan is secured by the property described in note 2.	245 881	226 485
Mortgage bond Riverbank House, 95-103 Upper Thames Street, London HSH Nordbank made a loan available to RHUT totalling GBP 253 870 961. The interest margin is 2.5% above 3 month Libor and the maturity date is June 2024. There is a partial cash sweep from the net operating income of the property to repay capital under the facility. The facility is secured by the Long Leasehold Interest and the units in the unit trust.	343 056	-
Mortgage bond Dry Goods Distribution Centre, Lanistown Secured loan bearing interest at a linked rate. Interest is paid quarterly in arrears. The loan is repaid in increasing quarterly repayments for the first five years with the balance outstanding at maturity being repayable in full on the sale of property, refinancing or other sources.	99 881	91 661
Mortgage bond 111 - 113 Park Street London Secured loan bearing interest at a linked rate. Interest is paid quarterly in arrears. The loan is repayable within 24 months of the initial draw down which ocurred in December 2016.	14 189	11 106
Profit sharing option Amount received from Oxygen Asset Management Limited in terms of a profit sharing option agreement, which provides that Oxygen will be entitled to a 6.5% share of the profits upon disposal of the Dry Goods Distribution Centre referred to in note 3. Should this disposal not occur before 14 October 2021, Oxygen will have the option to exercise its right to a share of the profits as determined at the date upon which the option is exercised.	559	559
	703 566	**329 811**
	901 102	**399 754**
Non-current liabilities		
Fair value through profit or loss	197 536	69 943
At amortised cost	668 045	325 604
	865 581	**395 547**
Current liabilities		
At amortised cost	35 521	4 207
	901 102	**399 754**

Notes to the Group Annual Financial Statements

Figures in US Dollar thousand	2017	2016

13. Trade and other payables

Trade payables	4 464	659
Amounts received in advance	11 608	5 397
VAT	1 906	453
Other payables	516	609
Accrued audit fees	36	22
Accrued interest	3 727	2 843
Deposits received	862	-
	23 119	**9 983**

14. Revenue

Rental income	26 626	25 480
Recoveries	162	161
	26 788	**25 641**

15. Other operating income

Other income	-	206

16. Other operating (losses) gains

(Losses) gains on disposals, scrappings and settlements		
Other financial and investment assets	(45)	22
Foreign exchange losses		
Net foreign exchange loss	(33)	(510)
Fair value gains (losses)		
Investment property	207 811	(30 998)
Financial instruments at fair value through profit or loss:		
Derivatives (other than hedging instruments)	4 562	(18 654)
Other investment assets	23 087	(532)
	235 460	**(50 184)**
Total other operating gains (losses)	**235 382**	**(50 672)**

Notes to the Group Annual Financial Statements

Figures in US Dollar thousand		2017	2016

17. Operating profit (loss)

Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:

		2017	2016
Auditor's remuneration - external			
Audit fees		24	25
Leases			
Operating lease charges			
Premises		34	1
Other			
Operating gains (losses)	16	235 382	(50 672)

18. Investment income

	2017	2016
Interest income		
From investments in financial assets:		
Interest received - Promissory note	2 735	-
Interest received - Swaps	925	1 472
Total interest income	**3 660**	**1 472**

19. Finance costs

	2017	2016
Non-current borrowings	9 286	9 307
Interest paid - Swaps	14 265	14 411
Total finance costs	**23 551**	**23 718**

20. Taxation

Major components of the tax expense

	2017	2016
Current		
Foreign income tax or withholding tax - current period	-	(7)

21. Other comprehensive income

Components of other comprehensive income - 2017

	Gross	Tax	Net
Items that may be reclassified to profit (loss)			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	(110 427)	-	(110 427)

Notes to the Group Annual Financial Statements

Figures in US Dollar thousand	2017	2016

21. Other comprehensive income (continued)

Components of other comprehensive income - 2016

	Gross	Tax	Net
Items that may be reclassified to profit (loss)			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	62 111	-	62 111

22. Cash generated from operations

	2017	2016
Profit before taxation	240 593	4 980
Adjustments for:		
Losses (gains) on disposals, scrappings and settlements of assets and liabilities	35	(53 244)
Losses on foreign exchange	33	510
Interest income	(3 660)	(1 472)
Finance costs	23 551	23 718
Fair value (gains) losses	(235 460)	50 184
Changes in working capital:		
Trade and other receivables	5 818	(6 915)
Trade and other payables	13 136	(9 685)
	44 046	**8 076**

23. Tax refunded

	2017	2016
Current tax for the year recognised in profit or loss	-	7

24. Dividends paid

	2017	2016
Dividends	-	(1 277)

Dividends paid in 2016 of US$1 000 per note on the 2% Perpetual Participating Notes up to the date of conversion.

Dividends paid in 2016 of US$1 500 per note on the 3% Perpetual Participating Notes up to the date of conversion.

25. Commitments

Authorised capital expenditure

	2017	2016
Already contracted for but not provided for		
• Investment property	6 481	-
• Investment cars	10 872	4 121

This committed expenditure relates to investment properties and investment cars and will be financed by existing cash resources and debt.

26. Contingencies

Zeno Capital Limited has guaranteed the recourse obligation of a loan on behalf of a subsidiary of the parent company, HBW Group Proprietary Limited. The total outstanding amount of the loan is US$ 1 970 027 owing to PFP Holding Company III, LLC. Zeno Capital Limited has guaranteed this amount, plus associated costs and damages, in the event of a default by the borrower as a result of a voluntary bankruptcy, fraud or unpermitted transfer of the assets held by the lender as security for the loan. In the opinion of the directors, the guarantee does not adversely affect the financial position of the company.

Notes to the Group Annual Financial Statements

Figures in US Dollar thousand	2017	2016

27. Related parties

Relationships	
Ultimate holding company	Supaluck Investments Proprietary Limited
Holding company	HBW Group Proprietary Limited
Subsidiaries	Refer to note 4

Related party balances

	2017	2016
Loan accounts - Owing (to) by related parties		
HBW Group Proprietary Limited	(19 851)	5 266
Zeno Capital (USA) Incorporated	(10)	(10)

Related party transactions

	2017	2016
Management fees paid to (received from) related parties		
HBW Group Proprietary Limited	500	-
Dividends accrued to related parties		
Investec Securities Limited - As nominee	-	1 277

28. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the year.

Notes to the Group Annual Financial Statements

29. Categories of financial instruments

	Note(s)	Financial assets at fair value through profit (loss)	Debt instruments at amortised cost	Equity instruments at cost less impairment	Financial liabilities at fair value through profit (loss)	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
Categories of financial instruments - 2017									
Assets									
Non-Current Assets									
Investment property	3	-	-	-	-	-	-	1 193 656	1 193 656
Other financial and investment assets	6	851	-	-	-	-	-	95 025	95 876
		851	**-**	**-**	**-**	**-**	**-**	**1 288 681**	**1 289 532**
Current Assets									
Trade and other receivables	7	-	779	-	-	-	-	1 100	1 879
Cash and cash equivalents	8	-	12 226	-	-	-	-	-	12 226
		-	**13 005**	**-**	**-**	**-**	**-**	**1 100**	**14 105**
Total Assets		**851**	**13 005**	**-**	**-**	**-**	**-**	**1 289 781**	**1 303 637**
Equity and Liabilities									
Equity									
Equity Attributable to Equity Holders of Parent:									
Share capital	9	-	-	-	-	-	-	81 728	81 728
Reserves	10 & 11	-	-	-	-	-	-	(6 353)	(6 353)
Retained income		-	-	-	-	-	-	266 106	266 106
		-	**-**	**-**	**-**	**-**	**-**	**341 481**	**341 481**
Non-controlling interest		-	-	-	-	-	-	18 074	18 074
Total Equity		**-**	**-**	**-**	**-**	**-**	**-**	**359 555**	**359 555**

Liabilities

Notes to the Group Annual Financial Statements

29. Categories of financial instruments (continued)

	Note(s)	Financial assets at fair value through profit (loss)	Debt instruments at amortised cost	Equity instruments at cost less impairment	Financial liabilities at fair value through profit (loss)	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
Non-Current Liabilities									
Loans from group companies	5	-	-	-	-	19 861	-	-	19 861
Other financial liabilities	12	-	-	-	197 536	668 045	-	-	865 581
		-	**-**	**-**	**197 536**	**687 906**	**-**	**-**	**885 442**
Current Liabilities									
Other financial liabilities	12	-	-	-	-	35 521	-	-	35 521
Trade and other payables	13	-	-	-	-	21 212	-	1 907	23 119
		-	**-**	**-**	**-**	**56 733**	**-**	**1 907**	**58 640**
Total Liabilities		**-**	**-**	**-**	**197 536**	**744 639**	**-**	**1 907**	**944 082**
Total Equity and Liabilities		**-**	**-**	**-**	**197 536**	**744 639**	**-**	**361 462**	**1 303 637**

Notes to the Group Annual Financial Statements

29. Categories of financial instruments (continued)

	Note(s)	Financial assets at fair value through profit (loss)	Debt instruments at amortised cost	Equity instruments at cost less impairment	Financial liabilities at fair value through profit (loss)	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
Categories of financial instruments - 2016									
Assets									
Non-Current Assets									
Investment property	3	-	-	-	-	-	-	570 293	570 293
Loans to group companies	5	-	5 266	-	-	-	-	-	5 266
Other financial and investment assets	6	2 009	-	-	-	-	-	67 895	69 904
		2 009	**5 266**	**-**	**-**	**-**	**-**	**638 188**	**645 463**
Current Assets									
Trade and other receivables	7	-	7 639	-	-	-	-	58	7 697
Cash and cash equivalents	8	-	12 387	-	-	-	-	-	12 387
		-	**20 026**	**-**	**-**	**-**	**-**	**58**	**20 084**
Total Assets		**2 009**	**25 292**	**-**	**-**	**-**	**-**	**638 246**	**665 547**
Equity and Liabilities									
Equity									
Equity Attributable to Equity Holders of Parent:									
Share capital	9	-	-	-	-	-	-	81 728	81 728
Reserves	10 & 11	-	-	-	-	-	-	103 925	103 925
Retained income		-	-	-	-	-	-	57 416	57 416
		-	**-**	**-**	**-**	**-**	**-**	**243 069**	**243 069**
Non-controlling interest		-	-	-	-	-	-	12 731	12 731
Total Equity		**-**	**-**	**-**	**-**	**-**	**-**	**255 800**	**255 800**

Notes to the Group Annual Financial Statements

29. Categories of financial instruments (continued)

	Note(s)	Financial assets at fair value through profit (loss)	Debt instruments at amortised cost	Equity instruments at cost less impairment	Financial liabilities at fair value through profit (loss)	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
Liabilities									
Non-Current Liabilities									
Loans from group companies	5	-	-	-	-	10	-	-	10
Other financial liabilities	12	-	-	-	69 943	325 604	-	-	395 547
		-	**-**	**-**	**69 943**	**325 614**	**-**	**-**	**395 557**
Current Liabilities									
Other financial liabilities	12	-	-	-	-	4 207	-	-	4 207
Trade and other payables	13	-	-	-	-	9 530	-	453	9 983
		-	**-**	**-**	**-**	**13 737**	**-**	**453**	**14 190**
Total Liabilities		**-**	**-**	**-**	**69 943**	**339 351**	**-**	**453**	**409 747**
Total Equity and Liabilities		**-**	**-**	**-**	**69 943**	**339 351**	**-**	**256 253**	**665 547**

30. Risk management

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 5 & 12 cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the company monitors capital on the basis of the debt: equity ratio.

This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total equity is represented in the statement of financial position.

There are no externally imposed capital requirements.

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by the fund managers under policies approved by the directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the company's operating units. The directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Notes to the Group Annual Financial Statements

Figures in US Dollar thousand	2017	2016

30. Risk management (continued)

Interest rate risk

The company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk. During 2017 and 2016, the company's borrowings at variable rate were denominated in the US Dollar and the UK pound and Euro.

The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Based on the various scenarios, the company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the company raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the company borrowed at fixed rates directly. Under the interest rate swaps, the company agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The company does not hedge foreign exchange fluctuations.

Exchange rates used for conversion of foreign items were:		
GBP	1.3513	1.2340
EURO	1.2005	1.0517