RAINBOW TOURISM GROUP LTD

Refreshing hotels, Amazing experiences

ABRIDGED UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2016

HIGHLIGHTS

4% Revenue — $11.8m - 2016 | $11.3m - 2015

3% RevPAR — $36 - 2016 | $35 - 2015

9% Net finance cost — $0.9m - 2016 | $1.0 m - 2015

15% Occupancy — 54% - 2016 | 47% - 2015

61% EBITDA — $1.2m - 2016 | $0.74m - 2015

34% Loss before tax — $0.9m - 2016 | $1.3m - 2015

- **Discontinued operations recorded a loss of $1.6 million compared to a loss of $0.5 million in 2015.**

CHAIRMAN'S STATEMENT

1. INTRODUCTION

During the period under review, the Group recorded a 4% increase in revenue, albeit in an increasingly challenging economic and operating environment. However the fundamentals of the Group's business strategy remain sound.

The Group continues to refine its business model by streamlining costs. As part of strengthening the business, the Group will have divested from all business units that do not meet its long term strategy by 30 September 2016.

2. PERFORMANCE REVIEW

The Group achieved a period-on-period turnover growth of 4% to $11.8 million during the first half of 2016 from $11.3 million recorded in 2015. During the first four months of 2016, revenue growth was significant but it decelerated in May and June due to exogenous factors which impacted the business.

The Group responded to market liquidity challenges by tailor-making packages to its customers. Menu re-engineering has improved food and beverage perfomance through the adjustment of prices to affordable levels without compromising quality.

The Group's Revenue per Available Room (RevPAR) grew by 3% to $36 from $35 recorded in the same period last year. The gain in RevPAR was due to higher occupancies which outweighed the consequences of the market-led softening of rates.

The challenging market environment has resulted in the Group sharpening its focus on cost reduction. The cost of sales per room sold reduced by 20% resulting in the growth in gross margin by 4% from 64% in 2015 to 67% in 2016.

The Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) margin is firmer at $1.2 million compared to $0.74 million in the corresponding period last year. The various cost-saving initiatives deployed across the business continued to drive operating margins. Operating, administration and distribution expenses were marginally down despite a growth in volumes of 15%.

As a result of the impact of discontinued operations, the Group posted a loss of $3 million for the half-year compared to a loss of $1.9 million recorded during the same period prior year. The loss from discontinued operations ($1.6 million) includes loss on exit from Rainbow Beitbridge Hotel of $0.6 million and an impairment charge of $0.5 million for Rainbow Hotel Mozambique assets.

At half year, the total debt reduced to $18.2 million from $19.4 million as at 31 December 2015. Gearing moved to 56% as at 30 June 2016 from 54% as at 31 December 2015. The marginal increase in gearing was as a result of the operating loss recorded in the interim reporting period.

3. DISCONTINUED OPERATIONS

The Group terminated the lease agreement on Rainbow Beitbridge Hotel with NSSA effective 31 May 2016. This decision was necessary to arrest further losses. Prospects for improvement remained bleak as demonstrated by the accumulated loss of $2.3 million recorded during the hotel's two years of operation.

The Board resolved to exit Rainbow Hotel Mozambique effective 30 September 2016 due to declining performance as a result of political instability, cut backs in government spending and resultant exchange rate translation losses. In the 18 month period to 30 June 2016 the Metical has depreciated significantly against the US Dollar. We believe this to be the right time to exit the Mozambique market and cushion the Group from a worse position.

4. PRODUCT UPGRADES

During the period under review, the Group spent $0.5 million towards upgrading hotels facilities. The capital expenditure has been funded mainly from internally generated cash flows.

The Group has to date conducted over 40% of works required for the soft refurbishment of Kadoma Hotel and Conference Centre which include modernisation and furnishing of rooms. Painting of the hotel's exterior is now complete.

The New Ambassador Hotel is being refurbished. The in-room floors and bathrooms have been re-done. The Group has invested in new furniture and soft furnishings for the bedrooms. To date, 50% of the 72 rooms have been refurbished.

Victoria Falls Rainbow Hotel is also being given a facelift by replacing rooms furniture, fittings and soft furnishings as well as air conditioning in the rooms. These works are set to begin in the 3rd quarter of 2016.

5. CORPORATE SOCIAL INVESTMENT AND SUSTAINABLE GROWTH

The Group remains committed to invest in sustainable initiatives which benefit and empower the communities in which we operate. Bulawayo Rainbow Hotel adopted Emthunzini Wethemba, an orphanage in Bulawayo. The hotel has rolled out the organic gardens concept that was pioneered within the Group by Kadoma Hotel and Conference Centre. Through a local partner, the orphanage staff and older children have been trained in horticultural production. This has enabled them to produce vegetables for their own consumption, with excess produce being sold to the local communities thereby creating a revenue stream to help with operational expenses. Thirty members in the local community are currently being trained on organic farming as a way of empowering them. Some of them have voluntarily established an organic garden at Mpilo Central Hospital. The garden is already supplying the hospital with fresh vegetable produce. In addition, students at Mzilikazi High School have also been trained on the concept of organic farming and they have now established a thriving garden at their school. In th period under review the two hotels have trained over 500 people in their respective communities.

6. DIVIDENDS

In view of the loss recorded in the interim period, the Board resolved to not declare a dividend.

7. DIRECTORATE

There were no changes to the directorate since the last reported position of 31 December 2015.

8. OUTLOOK

The Group is well-positioned to benefit from the evolving tourism industry. In the near term, the Group is determined to maintain the revenue growth momentum through focusing on foreign business whilst maintaining its share of the domestic market.

The second half of the year has traditionally contributed 60% of our annual business over the past years. The same trend is projected in 2016. To achieve this, we will continue to introduce exciting revenue generating programs to the local market. On the International stage, the Group is opening new markets as well as consolidating the revenue streams from existing source markets.

9. ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank all RTG stakeholders including our supliers and customers for their invaluable support. I also thank the Board, management and staff members for their dedication, professionalism and determination to succeed.

Together, we will continue to innovate and seize the opportunities available to us in order to create value for all stakeholders.

....

J. M. CHIKURA
CHAIRMAN

7 September 2016

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the half year ended 30 June 2016

	Note	Group 30.06.2016 US$ Unaudited	Group 30.06.2015 US$ Unaudited Restated
Revenue		**11 754 678**	**11 270 669**
Cost of sales		(3 915 179)	(4 086 864)
Gross profit		**7 839 499**	**7 183 805**
Other operating income		24 364	246 209
Operating expenses	10	(6 670 575)	(6 687 875)
Earnings before interest, tax, depreciation and amortisation		**1 193 288**	**742 139**
Depreciation and amortisation		(1 142 324)	(1 042 132)
Profit/(loss) from operations		**50 964**	**(299 993)**
Net finance costs		(917 139)	(1 008 011)
Loss before tax		**(866 175)**	**(1 308 004)**
Income tax		**(390 397)**	**(47 766)**
Loss for period from continuing operations		**(1 256 572)**	**(1 355 770)**
Loss from discontinued operations	15.1	**(1 602 359)**	**(547 101)**
Loss for the period		**(2 858 931)**	**(1 902 871)**
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign discontinued operation		(114 214)	12 075
Items that will not be reclassified subsequently to profit or loss			
Amortisation of other capital reverves		(17 500)	-
Total comprehensive loss for the period		**(2 990 645)**	**(1 890 796)**
Earning per share from continuing operations	9		
Basic (loss)/earnings per share (cents)		(0.067)	(0.072)
Headline (loss)/earnings per share (cents)		(0.067)	(0.072)

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Note	Group 31.06.2016 US$ Unaudited	Group 30.06.2015 US$ Unaudited	Group 31.12.2015 US$ Audited
ASSETS				
Non current assets				
Property and equipment	4	37 983 788	40 733 780	40 073 505
Intangible assets	6	116 123	141 930	129 023
Deferred tax asset		-	-	115 461
		38 099 911	**40 875 710**	**40 317 989**
Current assets				
Inventories		2 549 072	2 712 322	2 739 816
Accounts receivable		6 544 869	6 045 614	6 184 640
Other financial assets		14 638	14 367	14 638
Cash and cash equivalents	7	395 615	726 806	518 594
		9 504 194	**9 499 109**	**9 457 688**
Total assets		**47 604 105**	**50 374 819**	**49 775 677**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		187 055	187 055	187 055
Share premium		4 477 500	4 477 500	4 477 500
Non distributable reserves		16 711 500	16 711 500	16 711 500
Foreign currency translation reserve		(525 554)	(59,678)	(411 340)
Other capital reserve		332 500	-	350 000
Revaluation reserve		2 985 217	2 985 217	2 985 217
Accumulated losses		(10 081 345)	(9 053 551)	(7 222 414)
Total equity		**14 086 873**	**15 248 043**	**17 077 518**
Non current liabilities				
Borrowings	12	13 640 349	5 085 202	13,640,349
Deferred tax		274 936	1 058 143	-
		13 915 285	**6 143 345**	**13 640 349**
Current liabilities				
Borrowings	12	3 143 576	14 646 333	4 604 938
Accounts payable		14 995 115	12 938 728	13 346 137
Bank overdraft	7	1 463 256	1 398 370	1 106 735
		19 601 947	**28 983 431**	**19 057 810**
Total liabilities		**33 517 232**	**35 126 776**	**32 698 159**
Total equity and liabilities		**47 604 105**	**50 374 819**	**49 775 677**

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS
for the half year ended 30 June 2016

	Note	Group 30.06.2016 US$ Unaudited	Group 30.06.2015 US$ Unaudited	Group 31.12.2015 US$ Audited
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit before working capital changes	13	752 476	340 457	2 924 638
Decrease/(increase) in inventories		190 744	(19 261)	(46 755)
(Increase)/decrease/in accounts receivable		(360 229)	78 324	(60 702)
Increase in accounts payable		1 648 978	2 919 322	3 326 731
Cash generated from operations		**2 231 969**	**3 318 842**	**6 143 912**
Interest received		30 387	41 946	84 741
Investment income		24 364	6 209	21 193
Interest paid		(947 526)	(1 230 961)	(2 264 237)
Income tax paid		(26 920)	-	(3 160)
Exchange losses on translation of foreign operations		114 214	(12 075)	369 942
Net cash inflow from operating activities		**1 426 488**	**2 123 961**	**4 352 391**
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments on purchase of property and equipment		(444 626)	(1 059 089)	(1 728 683)
Proceeds from sale of property and equipment		-	11 225	22 060
Proceeds from sale of subsidiaries		-	240 000	240 000
Net cash outflow from investing activities		**(444 626)**	**(807 864)**	**(1 466 623)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(1 461 362)	(1 718 139)	(3 204 387)
Net cash outflow from financing activities		**(1 461 362)**	**(1 718 139)**	**(3 204 387)**
DECREASE IN CASH AND CASH EQUIVALENTS		**(479 500)**	**(402 042)**	**(318 619)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**(588 141)**	**(269 522)**	**(269 522)**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	**(1 067 641)**	**(671 564)**	**(588 141)**

ABRIDGED UNAUDITED FINANCIAL RESULTS
FOR THE HALF YEAR ENDED 30 JUNE 2016

RTG

RAINBOW TOURISM GROUP LTD

Refreshing hotels, Amazing experiences

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half year ended 30 June 2016

GROUP	Share capital US$	Share premium US$	Non-distributable reserve US$	Other capital reserve US$	Foreign currency translation reserve US$	Revaluation reserve US$	Accumulated losses US$	Total equity US$
Balance at 1 January 2016	**187 055**	**4 477 500**	**16 711 500**	**350 000**	**(411 340)**	**2 985 217**	**(7 222 414)**	**17 077 518**
Total comprehensive loss for the period	-	-	-	(17 500)	(114 214)	-	(2 858 931)	(2 990 645)
Balance at 30 June 2016	**187 055**	**4 477 500**	**16 711 500**	**332 500**	**(525 554)**	**2 985 217**	**(10 081 345)**	**14 086 873**
Balance at 1 January 2015	**187 055**	**4 477 500**	**16 711 500**	**-**	**(71 753)**	**2 985 217**	**(7 162 755)**	**17 126 764**
Total comprehensive income/(loss) for the period	-	-	-	-	12 075	-	(1 890 796)	(1 878 721)
Balance at 30 June 2015	**187 055**	**4 477 500**	**16 711 500**	**-**	**(59 678)**	**2 985 217**	**(9 053 551)**	**15 248 043**
Balance at 1 January 2015	**187 055**	**4 477 500**	**16 711 500**	**-**	**(71 753)**	**2 985 217**	**(7 162 755)**	**17 126 764**
Total comprehensive loss for the year	-	-	-	-	(369 942)	-	(29 304)	(399 246)
Transfer of reserves	-	-	-	-	30 355	-	(30 355)	-
Contribution received in respect of conference centre refurbishment	-	-	-	350 000	-	-	-	350 000
Balance at 31 December 2015	**187 055**	**4 477 500**	**16 711 500**	**350 000**	**(411 340)**	**2 985 217**	**(7 222 414)**	**17 077 518**

NOTES TO THE UNAUDITED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS
for the half year ended 30 June 2016

1. General information

Rainbow Tourism Group Limited is a company incorporated and domiciled in Zimbabwe. The Group is in the tourism services industry as hoteliers and providers of conference facilities. Its registration number is 4880/91. The Group is listed on the Zimbabwe Stock Exchange(ZSE).

These interim consolidated financial statements are presented in United States dollars which is both the functional and presentation currency of the primary economic environment in which the Group operates.

These Abridged consolidated interim financial statements were approved for issue by the Board of Rainbow Tourism Group Limited on 7 September 2016.

2 Accounting policies

The Group reports in terms of International Financial Reporting Standards (IFRSs). The principal accounting policies of the Group have been applied consistently in all material respects with those of previous years. There are no new IFRSs or amendments to IFRSs that are effective for the first time this interim period that would be expected to have a material effect on the Group.

The Group restated its previously issued abridged consolidated financial statements for the half year ended 30 June 2015 to reflect the effects of discountinued operations.

The abridged interim consolidated financial information has not been audited.

3 Statement of compliance

The abridged interim consolidated financial statements for the period ending 30 June 2016 have been prepared in accordance with International Accounting Standard 34, " Interim Financial Reporting". They do not include all of the information required to fully comply with IFRSs and should be read in conjunction with the audited annual financial statements for the year ended 31 December 2015, which have been prepared in consistency with the International Financial Reporting Standards(IFRSs), the Companies' Act (Chapter 24:03) and relevant statutory instruments SI 33/99 and SI 62/96.These financial statements are based on statutory records that are maintained under the historical cost convention, except for land and buildings that are maintained at fair value.

4 Property and equipment

	Group 30.06.2016 US$	Group 30.06.2015 US$	Group 31.12.2015 US$
Opening carrying amounts	40 073 505	40 889 538	40 889 538
Additions to property and equipment	444 626	1 059 089	2 078 683
Revaluation surplus	-	-	-
Depreciation charge	(1 129 424)	(1 197 279)	(2 493 985)
Net exchange differences on translation of foreign assets	(270 274)	-	(366 181)
Impairments of assets	(1 134 645)	-	-
Carrying amounts of disposed assets	-	(17 568)	(34 550)
Closing carrying amounts	**37 983 788**	**40 733 780**	**40 073 505**

The land and buildings have been pledged as security for long term borrowings. There is a notarial general covering bond over the Group's movable assets.

5 Impairment of property and equipment

The results of impairment tests conducted in accordance with IAS 36 "Impairment of Assets" as of 30 June 2016, led to the recognition of the net impairment loss of $1 134 645. This relates to the discontinuation of operations at Rainbow Beitbridge Hotel and Rainbow Hotel Mozambique.

	Group 30.06.2016 US$	Group 30.06.2015 US$	Group 31.12.2015 US$
6 Intangible asset			
Opening carrying amounts	129 023	154 829	154 829
Amortisation charge	(12 900)	(12 899)	(25 806)
Closing carrying amounts	116 123	141 930	129 023
7 Cash and cash equivalents			
Cash and bank balances	395 615	726 806	518 594
Bank overdraft	(1 463 256)	(1 398 370)	(1 106 735)
	(1 067 641)	(671 564)	(588 141)
8 Share capital			
Number of shares (000s)			
Authorised shares of 0.01 cents each	2 500 000	2 500 000	2 500 000
Issued and fully paid shares of 0.01 cents each	1 870 496	1 870 496	1 870 496
9 Earnings per share			
9.1 Basic earnings per share continuing operations			
Loss attributable to shareholders	(1 256 572)	(1 355 770)	(29 304)
Weighted average number of shares in issue (000s)	1 870 496	1 870 496	1 870 496
Basic loss per share(US cents)	(0.067)	(0.072)	(0.002)
9.2 Headline earnings per share continuing operations			
Loss attributable to shareholders	(1 256 572)	(1 355 770)	(29 304)
Loss on sale of assets	-	6 343	12 490
	(1 256 572)	**(1 349 427)**	**(16 814)**
Weighted average number of shares in issue(000s)	1 870 496	1 870 496	1 870 496
Headline loss per share (US cents)	(0.067)	(0.072)	(0.001)

10 Operating expenses

	Group 30.06.2016 US$	Group 30.06.2015 US$
Administrative expenses	3 766 114	3 757 646
Distribution expenses	1 133 983	1 151 912
Other operating expenses	1 770 478	1 778 317
	6 670 575	6 687 875

11 Deferred tax reconciliation

	Group 30.06.2016 US$	Group 30.06.2015 US$	Group 31.12.2015 US$
Balance at beginning of period	(115 461)	1 010 367	1 010 367
Temporary differences on property & equipment	(229 696)	701 585	(428 958)
Deferred tax on revalued assets	-	-	-
Originating differences on assessed losses	620 093	(653 809)	(696 870)
Balance at end of period	**274 936**	**1 058 143**	**(115 461)**

12 Borrowings

	Group 30.06.2016 US$	Group 30.06.2015 US$	Group 31.12.2015 US$
Long term borrowings			
Foreign	-	3 805 373	2 589 859
Local	13 640 349	5 659 495	13 640 349
	13 640 349	**9 464 868**	**16 230 208**
Less: Current portion of long term loans	-	4 379 666	2 589 859
	13 640 349	**5 085 202**	**13 640 349**
Short term borrowings			
Foreign	1 905 576	-	-
Local	1 238 000	10 266 667	2 015 079
Add: Current portion of long term loans	-	4 379 666	2 589 859
	3 143 576	**14 646 333**	**4 604 938**

The short term borrowings of $13 640 349 relates to the combined NSSA facilities which were restructured in March 2016. The term sheet received from NSSA is awaiting shareholders approval at an Extra-Ordinary General Meeting (EGM).

	Group 30.06.2016 US$	Group 30.06.2015 US$	Group 31.12.2015 US$
13 Operating profit before working capital changes			
Loss for the period	(2 858 931)	(1 890 796)	(29 304)
Depreciation and amortisation costs	1 281 155	1 210 178	2 519 791
Impairment of assets	1 134 645	-	-
Recovery of bad debts	-	-	(21 202)
Unrealised exchange (loss)/profit	(114 214)	12 075	(369 942)
Other income	(24 364)	(246 209)	(261,193)
Loss on disposal of non-current assets	-	18 418	12 490
Finance costs	947 526	1 230 961	2 264 237
Income tax	417 046	47 776	(1 105 227)
Finance income	(30 387)	(41 946)	(84 741)
Fair value gain on other financial assets	-	-	(271)
	752 476	**340 457**	**2 924 638**
14 Capital expenditure commitments			
Contracted	2 300 000	2 300 000	2 300 000
Authorised but not contracted	1 133 110	2 700 353	2 700 353
	3 433 110	**5 000 353**	**5 000 353**

15 Discontinued Operations

The Group also terminated the lease agreement of Rainbow Beitbridge Hotel with National Social Security Authority (NSSA) effective 31 May 2016. The Board resolved to exit Rainbow Hotel Mozambique(RHM) effective 30 September 2016. Movable components of plant and equipment for Rainbow Beitbridge Hotel were transferred to other business units.

Loss from discontinued operations has been analysed below:

15.1 Abridged income statement for discontinued operations for the half year ended 30 June 2016

	30.06.2016 US$	30.06.2015 US$
Revenue	**943 110**	**1 171 320**
Cost of sales	(305 751)	(446 756)
Gross profit	**637 359**	**724 564**
Operating expenses	(786 184)	(910 560)
Earning before interest, tax, depreciation and amortisation	**(148 825)**	**(185 996)**
Depreciation	(164 829)	(168 046)
Impairment of property and equipment	(1134 645)	-
Loss from operations	**(1 448 299)**	**(354 042)**
Finance expense	(127 412)	(181 004)
Loss before tax	**(1 575 711)**	**(535 046)**
Income tax	(26 648)	(12 055)
Loss from discontinued operations	**(1 602 359)**	**(547 101)**
Basic earnings per share (US$ cents)	(0.90)	(0.03)
15.2 The loss from discontinued operations can be further analysed as follows:		
Operating loss from Rainbow Beitbridge Hotel	(242 461)	(434 007)
Operating loss from Rainbow Hotel Mozambique	(225 253)	(113 094)
Total operating loss before impairments	**(467 714)**	**(547 101)**
Impairment of property and equipment on Rainbow Hotel Mozambique	(502 396)	-
Impairment of property and equipment on Rainbow Beitbridge Hotel	(632 249)	-
Total impairments of property and equipment	**(1 134 645)**	-
15.3 Net cash used in discontinued operations		
Net cash used in operating activities	(11 837)	(784 410)
Net cash used investing activities	-	(60 911)
Net cash used in financing activities	-	-
Net cash used in discontinued operations	**(11 837)**	**(845 321)**

16 Negative working capital

The Group recorded a negative working capital of $10 097 753 as at 30 June 2016. The Board of Directors has assessed the Group's working capital position and have a reasonable expectation that the Group will be able to meet its short term obligations and continue in operation for the foreseeable future. The going concern basis has therefore been adopted in preparing the abridged interim consolidated financial statements.

17 Events after the reporting date

There were no events after the reporting date that require additional or separate disclosure.

18 Dividend declaration

There were no dividends declared during the period.

Directors: John M. Chikura (Chairman),Tendai M. Madziwanyika (Chief Executive), Napoleon K. Mtukwa (Finance Director), Sijabuliso T. Biyam, Shingirayi N. Chibanguza, Ian C. Haruperi, Douglas Hoto, Douglas Mavhembu, Charity J. Murandu, Thandiwe T. Mlobane, Brian A. Shenje.