RAINBOW TOURISM GROUP LTD

2016 ANNUAL REPORT

Refreshing Hotels, Amazing Experiences

CONTENTS

VISION • MISSION • VALUES

OUR VISION

To be the premier provider of diversified hospitality and tourism services in Zimbabwe by 2020.

OUR MISSION

We exist to create sustainable shareholder value through the deployment of dynamic hospitality services that consistently deliver refreshing guest experiences.

OUR STRATEGIC PILLARS

1. Pursue an organic growth model through expansion of the Victoria Falls properties.
2. Aggressively grow the RTG Virtual Business Model.
3. Expand the Food and Beverage business by increasing the uptake of RTG mobile and home outside catering.
4. Tap into the Diaspora market by offering exciting products.
5. Repositioning RTG as an Afro - centric brand that offers guests the experience of the rich African heritage.
6. Harness the creative power of ICTs for seamless business processes and growth opportunities.

OUR VALUES

FRESHNESS

In all that we do, we guarantee freshness:
• Fresh Food • Fresh Pillow • Fresh Smile.

INTEGRITY

We have integrity:
We do what we say,
We keep our promises.

VIBRANCY

We are vibrant:
We are full of life and we enjoy what we do.

CONSISTENCY

We provide consistent and reliable service to all our guests every time.

SYNERGIES

We activate synergies to achieve amazing guest success every time.

RTG STRUCTURE

The Group has operations in Zimbabwe through a combination of owned and leased hotels.

RAINBOW TOURISM GROUP LTD

Owned

- Bulawayo Rainbow Hotel
- A'Zambezi River Lodge
- Victoria Falls Rainbow Hotel

Leased

- Rainbow Towers Hotel & Conference Centre
- Kadoma Hotel & Conference Centre
- New Ambassador Hotel

PRODUCT PORTFOLIO

A'Zambezi River Lodge (river facing room)

CATEGORY	NO. OF UNITS	CONFERENCE CAPACITY	NO. OF ROOMS
5 Star ★★★★★ • Rainbow Towers Hotel & Conference Centre	1	7 000	305
4 Star ★★★★ • A' Zambezi River Lodge	1	80	87
3 Star ★★★ • Victoria Falls Rainbow Hotel • Bulawayo Rainbow Hotel • Kadoma Hotel & Conference Centre • New Ambassador Hotel	4	930	487
Total	6	8 010	879

RTG South Africa	Marketing and Channel Management Office

SERVICE PROMISE

Rainbow Tourism Group offers all round refreshing experiences to its customers.

From the time you check in, your experiences will be of freshness in all respects.

Our service promise is expressed through three pillars of freshness which are:

FRESH FOOD

FRESH PILLOW

FRESH SMILE

OUR HISTORY

1981 - 1989

1981
Zimbabwe Tourist Board is formed as a corporate body.

1983
Government of Zimbabwe commissions the construction of a 5-star hotel and conference centre in Harare and engages Sheraton Overseas Management Services (a subsidiary of ITT Sheraton) to manage the 5-star hotel upon completion.

1984
A parastatal, Zimbabwe Tourist Development Corporation (ZTDC) is formed.

1985
The 5-star Hotel and Conference Centre construction is completed and the hotel starts operating under a management contract with the name Harare Sheraton Hotel. The Conference Centre is named Harare International Conference Centre and is operated by the Ministry of Environment and Tourism.

1986
ZTDC takes over Victoria Falls Rainbow Hotel, which had been closed during Zimbabwe's liberation war. Victoria Falls Rainbow Hotel closes again due to security problems; ZTDC acquires two hotels, Ambassador Hotel and A'Zambezi River Lodge.

1987
ZTDC establishes touring division as a joint venture under a different name, Zimbabwe Tours.

1989
The Zimbabwe Tourist Development Corporation Act is amended to hive off the commercial side of ZTDC operations.

1991 - 1995

1991
Zimbabwe Tourism Investment Company (Pvt) Ltd (ZTIC), a company wholly owned by Government, is registered under the Companies Act, Chapter 190. The first Board is appointed in November to turn around ZTDC loss-making operations, namely Hotels Division (A'Zambezi River Lodge, Victoria Falls Rainbow Hotel, New Ambassador Hotel – formerly Ambassador Hotel, and Christmas Pass Hotel), Tours Division (comprising Zimbabwe Tours), Conference Division (comprising Harare International Conference Centre) and the Investment Division (represented by the Harare Sheraton Hotel which was operated under a management contract with Sheraton Overseas Management Services).

1992
First CEO appointed and commercial business assets transferred from ZTDC and Ministry of Environment and Tourism to ZTIC. Operations start on 1 April.

1994
ZTIC changes name to Rainbow Tourism Group Limited (RTG) with RTG still wholly owned by Government. Zimbabwe Tours becomes a joint venture on a shareholding structure of 60% for RTG and 40% for a strategic partner, Ireland Blyth Ltd (IBL) Mauritius, and is renamed Zimbabwe Mauritius Tours and Travel (Pvt) Ltd trading as Tourism Services Zimbabwe.

1995
RTG acquires Rhodes Nyanga Hotel and Kadoma Ranch Motel.

1996 - 1999

1996
Chimanimani Hotel is acquired on a shareholding of 75% for RTG and 25% for a strategic partner Bervin Investments. Zambezi Safari Lodges is commissioned on a shareholding of 50% for RTG and 50% for a strategic partner Conservation Corporation Zimbabwe.

1997
Christmas Pass Hotel, Mutare, is disposed. Bulawayo Sun Hotel is purchased and renamed Bulawayo Rainbow Hotel.

1998
Touch the Wild Lodges and Safaris is acquired on a shareholding structure of 60% for RTG and 40% for IBL Mauritius. ITT Sheraton is bought by Starwood Hotels and Resorts Worldwide Inc.

1999
Management contract of Harare Sheraton Hotel is renegotiated by RTG and Starwood Hotels and Resorts Worldwide Inc. and renamed Sheraton Harare Hotel and Towers. RTG is structured into four business units (Rainbow Hotels and Conferences division, Sheraton Harare Hotel and Towers division, Touch the Wild (Pvt) Ltd and Tourism Services Zimbabwe). A voluntary retrenchment scheme is offered. Cabinet approval for RTG privatization is given on 29 June. RTG's strategic partnership with Accor is approved on 19 October. RTG becomes the 72nd quoted company on the Zimbabwe Stock Exchange on 1 November.

OUR HISTORY (continued)

2000 - 2006

2000
RTG/Accor strategic partnership agreement is concluded; Accor's 35% shareholding becomes fully subscribed on 1 March. Chimanimani Hotel and Rhodes Nyanga Hotel are disposed of as they could not achieve critical mass in capacity and yield.

2001
A'Zambezi River Lodge is rebranded to Hotel Mercure A'Zambezi.

2002
Victoria Falls Rainbow Hotel is rebranded to Hotel Mercure Rainbow.

2004
The management contract with IBL Mauritius is terminated by mutual agreement.

2005
Management agreement with Starwood comes to an end and is not renewed. Management of Sheraton Harare Hotel and Towers is localized. Business of Sheraton Harare Hotel and Towers and Harare International Conference Centre is merged. RTG successfully carries out a rights issue in September and new shareholders emerge. Accor, Laaico, and Ministry of Environment and Tourism gets diluted.

2006
The merged business successfully rebrands the Rainbow Towers Hotel and Conference Centre on 19 March. Management contract with Accor is terminated. Hotel Mercure A'Zambezi and Hotel Mercure Rainbow are rebranded to A'Zambezi River Lodge and Victoria Falls Rainbow Hotel respectively under the Rainbow Hotels Division. The Group reverses losses of the past 3 years and wipes out foreign debt incurred over management contracts.

2007 - 2012

2007
South African marketing office is established and Tourism Services Zambia is registered. Regional expansion strategy is unveiled.

2008
RTG takes over management of the first regional hotel, Hotel Edinburgh in Kitwe, Zambia. RTG also signs a management contract for Savoy Hotel in Ndola, Zambia. Rainbow Hospitality Business School (RHBS) is established.

2010
The refurbishment of A'Zambezi River Lodge commences. Matetsi Water Lodge is acquired as a going concern on 1 March. RTG also enters into a long-term lease over Hotel Mozambique in Beira and commences operations in July. Rainbow Hotels in Zimbabwe acquires ISO 9001:2008 certification in March.

2011
A'Zambezi River Lodge refurbished and rebranded to a 4-star hotel. The hotel is opened mid-May. RTG seeks to recapitalise and to dispose its subsidiaries, namely TTW, Matetsi Water Lodge and TSZ in order to focus on core hotel operations and retire short term debt.

2012
RTG embarks on a recapitalisation exercise to address short-term debt burden. RTG secures a US$10 million loan and concludes a US$4.5 million rights issue. The Group disposes of some of its subsidiaries which were TTW and TSZ to focus on core hotel operations. Hotel Edinburgh in Kitwe, Zambia is closed.

2013 - 2016

2013
The recapitalisation exercise is completed through a $10 million loan which is used to restructure short term debt and through a rights issue which raises $4.5 million. RTG also places Hathanay Investments (Pvt) Ltd into liquidation. Most importantly, in 2013, the Group makes a profit of $1 million up from a $6 million loss during the previous year. This is the Group's first significant profit since the introduction of a multi-currency system in 2009.

2014
The Rainbow Beitbridge Hotel which is located in the border town of Beitbridge, with a rooms capacity of 136 rooms is opened for trading on 15 January.

2016
RTG exits non performing markets. Rainbow Beitbridge Hotel closes on 31 May and Rainbow Hotel Mozambique closes on 30 September.

BOARD OF DIRECTORS

John M. Chikura - Non-Executive Chairman

Mr. Chikura is the Chief Executive Officer of the Deposit Protection Corporation and current Chairman of the Africa Region, International Association of Deposit Insurers (IADI) based in Switzerland. He is also the current Treasurer of IADI. He holds a Master of Business Administration in Finance and Banking (Manchester University) and is a Fellow of the Institute of Chartered Secretaries and Administrators (FCIS). His vast experience at senior management levels includes the post of Finance and Administration Manager for Cluff Resources (now Ashanti Gold Mining) and Lonrho Zimbabwe as well as General Manager – Finance and Company Secretary for Southern Africa Reinsurance Limited. Mr Chikura is a Non-Executive Director of the Zimbabwe Asset Management Company (ZAMCO).

Tendai M. Madziwanyikwa – Chief Executive Officer

Mr. Madziwanyika sits on the board of directors of Rainbow Tourism Group as Chief Executive Officer. Prior to joining RTG, Mr Madziwanyika held senior positions in the FMCG and hospitality industries including, being the Managing Director of a listed hospitality group in Zimbabwe. He is a past President of the Zimbabwe Council for Tourism. He holds a Bachelor of Accounting Science (B Compt.) from the University of South Africa and a Master of Business Administration (with distinction) from Hull University (United Kingdom).

Thandiwe T. Mlobane - Non-Executive Director (Deputy Chairperson)

Mrs. Mlobane, is a Consultant with Aline Business Solution and Training Services. She brings to the board a wealth of experience in fund raising, financial and investment advisory and financial training. She has *inter alia* previously worked as Local Authorities Development Manager for the Reserve Bank of Zimbabwe and Corporate Finance Executive for Genesis Investment Bank. Thandiwe is a doctoral student for the National University of Science & Technology (NUST) Doctorate in Business Studies. She holds a Master of Business Administration from NUST, and a Bachelor of Accounting degree from the University of Zimbabwe. Thandiwe also holds certificates in Local Government Accounting and Public Finance.

Sijabuliso T. Biyam - Non-Executive Director

Mr. Biyam is currently the Chief Executive Officer of Bankers Association of Zimbabwe and Executive Director of the Institute of Bankers of Zimbabwe. He also serves as Chairman of Agribank, Chairman of the Board of Trustees of a Public Sector Housing Fund and is the Treasurer of Childline Zimbabwe.

Mr. Biyam is the former Managing Director of Zimbank and Head of Syfrets Corporate and Merchant Bank. He has also served as Chairman of National Social Security Authority, Minerals Marketing Corporation of Zimbabwe, Oxygen Industries (now BOC Gases) and the Zimbabwe Stock Exchange. He was Deputy Permanent Secretary in the Ministry of Finance from 1980 up to 1984 and has worked in the Private Sector as Accountant for National Breweries, General Manager of Tobacco Sales Floor and Managing Director of Caribonum (Private) Limited-both subsidiaries of TSL Ltd.

After completing his degree and postgraduate studies in Education from the local University in the late 60s', Mr. Biyam taught at various High Schools before doing his Articles with a firm of Chartered Accountants. He is a Chartered Secretary and a Fellow of the Institute of Bankers of Zimbabwe.

Shingirayi N. Chibanguza - Non-Executive Director

Mr. Chibanguza is currently the Managing Director for Farhigh Trading Transportation and Property Management, Cladmont Investments, Property Plus Realtors and Haddon and Sly Properties. Mr. Chibanguza previously held senior positions at Chibanguza Group of Hotels and Guy Chibanguza Enterprises (Pvt.) Ltd (Retail supermarkets) between 2003 and 2007. He is currently studying towards a Bachelor of Commerce in Entrepreneurship (SA) from the University of South Africa.

Ian C. Haruperi - Non-Executive Director

Mr. Haruperi is currently the Director of Investorlink Minerals Limited and has more than 10 years' experience at the helm of an organization dealing in mining, properties, finance, investment and infrastructure. He has previously been a director at Hwange Colliery Company Limited and Hamilton Insurance. Mr. Haruperi holds a Bachelor of Science in Economics.

Douglas Hoto - Non-Executive Director

Mr. Hoto is the Group Chief Executive Officer of First Mutual Holdings Limited formerly Africa First ReNaissance Corporation Limited. He has previously worked as Chief Executive Officer for Altfin Holdings Limited. Mr. Hoto has over 22 years' experience as an Actuary and has worked in various roles in the Insurance industry in Zimbabwe and the SADC region. He is a past Chairman of the Actuarial Society of Zimbabwe and a Fellow of the Faculty of Actuaries of Scotland. Mr Hoto holds a Bachelor of Science Honours Degree in Mathematics (UZ).

BOARD OF DIRECTORS (continued)

Douglas Mavhembu - Non Executive Director

Mr. Mavhembu is the Deputy Director- International Tourism Directorate in the Ministry of Tourism and Hospitality Industry. He has worked in various senior capacities within the Ministry of Tourism and Hospitality Industry including being the Acting Director (Tourism) and Acting Under Secretary (Tourism). Mr Mavhembu was the Co-Chairperson for the Zimbabwe/Zambia Joint Technical Committee on the UNWTO General Assembly held in Victoria Falls. He holds a Master of Science degree in Tourism and Hospitality Management from the University of Zimbabwe, a Bachelor of Business Administration in Tourism Management from Azaliah University and various certificates in Tourism and Hospitality Management as well as Certificate in Education (ZFETC). He is also a member of the renowned Professional Tourism Institutes.

Charity J. Murandu - Non-Executive Director

Ms. Murandu has vast commercial experience in Marketing, Sales & Customer Experience acquired working in Banking, Telecommunications & FMCG industries. She has served in various senior management positions; as Chief Marketing Officer at Steward Bank, Founder and Managing executive of Petroleum Traders & Creaghlands Holdings, Commercial Director for Celtel Malawi, as Marketing Director, General Manager for Delta Corporation (Beverages – Soft Drinks Division), National Sales Manager at Nestle Zimbabwe and as Brand Manager at Unilever. Her exposure to international best practice in Marketing & Sales is vast and across a number of continents. Charity has a Bachelor of Business Studies degree and an MBA; both from the University of Zimbabwe. She is an Eisenhower Fellow and has attended a number of international executive courses including the Senior Executives course at the London Business School.

Brian A. Shenje - Non-Executive Director

Mr Brian Shenje is currently a Management Consultant working in an independent capacity on long term projects with some listed firms and NGO's. He has over 12 years of strategic management experience gained whilst working in Zimbabwe and abroad. Mr Shenje holds a Masters degree in Business Administration with the University of Gloucestershire (UK), a Bachelor of Commerce degree (Accounting) from Rhodes University (SA) and is currently pursuing a professional qualification with ACCA.

Napoleon K. Mtukwa – Finance Director

Mr. Mtukwa is the current Finance Director and Company Secretary. He is a registered Public Accountant (PAAB) and a fellow member of the Association of Certified Chartered Accountants (FCCA). He was recently admitted into the Institute of Chartered Professional Accountants Canada (CPA). Mr. Mtukwa has previously held accounting positions at Unilever Zimbabwe and Mobil Oil. He also holds an Honours Degree in Applied Accounting and Master of Business Administration Degree with the University of Zimbabwe. He has vast experience at Senior Management level including years of serving in the position of Group Finance Manager and Group Management Accountant for Rainbow Tourism Group.

FRESHNESS

In all that we do,we guarantee freshness:

- *Fresh Food*
- *Fresh Pillow*
- *Fresh Smile*

SENIOR MANAGEMENT

Tendai M. Madziwanyika
Chief Executive Officer

Napoleon K. Mtukwa
Finance Director &
Company Secretary

Shupai Marware
Commercial Director

Caroline Mapfumo
Human Resources Director

Samson Chitsato
Head: Internal Audit & Risk

Clement Mboma
Head: Business Information
Systems

Pride Khumbula
Corporate Communications
& Innovations Manager

Fungai Mutseyekwa
Operations Manager

CORPORATE INFORMATION

NATURE OF BUSINESS

RTG is a hospitality management company which provides hotel and conferencing facilities in Zimbabwe.

COMPANY SECRETARY:

Napoleon K. Mtukwa

REGISTERED OFFICE:

Rainbow Towers Hotel and Conference Centre
No. 1 Pennefather Avenue
HARARE

AUDITORS:

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Camelsa Business Park
135 Enterprise Road
Highlands
HARARE

ATTORNEYS:

Mawere Sibanda Commercial Lawyers
10th Floor Chiedza House
Corner First Street and Kwame Nkrumah
HARARE

MAIN BANKERS:

CBZ Bank Limited
60 Kwame Nkrumah Avenue
HARARE

FBC Bank Limited
45 Nelson Mandela Avenue
HARARE

TRANSFER SECRETARIES:

First Transfer Secretaries (Private) Limited
1 Armagh Avenue
Eastlea
HARARE

A'Zambezi River Lodge swimming pool overlooking the mighty Zambezi River

CHAIRMAN'S STATEMENT

HIGHLIGHTS

Revenue - ▼ 11% from $26.9 million in 2015 to $24.1 million in 2016.

Foreign revenues - ▲ 20% from $6.7 million in 2015 to $8.1 million in 2016.

Domestic revenue - ▼21% from $20.2 million in 2015 to $16 million in 2016.

E-Commerce revenues - ▲ 36% from $661, 000 in 2015 to $901, 000 in 2016.

Occupancy - ▼ 2% from 56% last year to 55% in 2016.

RevPar - ▼ 12% to $36 from $41 recorded in 2015.

Interest charge - ▲ 3% to $1.9 million from $1.8 million in 2015.

Loss before tax for year - ▲ to $3.8 million in 2016 from $0.3 million in 2015.

Discontinued operations recorded a loss of $1.6 million compared to a loss of $1 million in 2015.

1. INTRODUCTION

The 2016 financial year was characterised by a turbulent economic environment. RTG faced a particularly difficult operating environment in the second half of 2016 due to various exogenous factors. In spite of these difficulties, the fundamentals of the Group's business remain strong.

During the year, the Group exited Rainbow Beitbridge Hotel (RBBH) and Rainbow Hotel Mozambique (RHM) operations. The exits were driven by the two hotels' perennial poor performance which had a contagion effect on the Group's performance. The Board is now of the view that the remaining hotels consist of the correct mix that can ensure sustained performance going forward.

2. PERFORMANCE REVIEW

The Group recorded an 11% decline in revenue from $26.9 million in 2015 to $24.1 million in 2016. During the first four months of 2016, the Group experienced steady revenue growth which decelerated during the second into the third quarter of the year due to exogenous factors in the country. During that period, the Group lost $800,000 in revenue due to direct cancellation of confirmed bookings. The net effect of these disturbances resulted in Rainbow Towers Hotel recording a revenue decline of $3.2 million compared to its 2015 performance. This had a negative impact on the Group's overall performance as the hotel contributes 40% to the Group total revenues. In contrast, the Group's other hotels recorded 1% revenue growth compared to 2015.

It is pleasing to note that foreign revenue grew by 20% from $6.7 million in 2015 to $8.1 million in 2016. This constitutes a 53% growth in foreign revenue contribution over a four year period from the 2012 position. In view of the growing foreign business performance, the Group aims to attain a 40% contribution in foreign revenues going forward. This will be achieved through increased sales and marketing investment in International source markets.

Another notable source of revenue growth is E-Commerce, which grew by 36% from $661,000 in 2015 to $901,000 in 2016. This channel has grown four fold since 2012. This growth can be attributed to the signing on of new channels as well as strategic sales and marketing deals with channel providers.

On the domestic market, the Group responded by adopting a high volume-low rate strategy, which sustained its revenue streams during the last quarter of the year. The social media attacks aimed at the brand impacted the business from NGO's and other international organisations.

The Group's Revenue per Available Room (RevPar) declined by 12% from $41 in 2015 to $36 as at 31 December 2016. The drop in RevPar was as a result of the decline in domestic volumes experienced in the second half of the year.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) margin for the year closed at $0.4 million (2%) compared to $3.6 million (13%) recorded during prior year. The 11% decline in revenues for the year significantly impacted the Group's EBITDA performance. As part of the Group's cost reduction drive, a retrenchment exercise was concluded in the final quarter of 2016. The total cost of the exercise amounted to $600,000. The exercise completes the staff realignment process which over the past four years has led to a reduction in the annual staff costs by $3 million. RTG will continue to pursue other cost reduction opportunities for long term sustainability.

Overall, the Group's loss before tax for the year closed at $3.8 million from a loss of $327,000 recorded in 2015. The following were significant items which resulted in the loss;

1) The resultant impact of Rainbow Towers Hotel and Conference Centre's lost revenues due to the social media attacks.
2) Staff retrenchment and separation costs of $0.6 million.
3) Impairment costs related to discontinued operations of $0.5 million.

The total loss for the year including discontinued operations closed at $4.7 million compared to a loss of $29,000 recorded in 2015. Discontinued operations alone recorded a loss of $1.6 million which translate to 34% of the total loss for the year.

Notwithstanding depressed cash flows, the Group made significant progress on debt reduction. During the year, the debt was reduced by $2 million (11%) from 2015 position of $19 million to $17 million as at 31 December 2016.

The Group's negative working capital as at 31 December 2016 was $25.6 million. This includes the $13.6 million loan from National Social Security Authority (NSSA) and its accrued interest arrears all contributing 60% of the negative working capital. The Board is of the view that the Group will be able to meet its short term obligations in the foreseeable future.

3. LOAN FROM NSSA

During the course of 2016, NSSA tabled a term sheet to restructure the $13.6 million loan facility by a further 7 years at a reduced interest rate of 6%. The Board approved the term sheet in March 2016. However, the restructuring proposal was not presented before shareholders as it later became apparent to the Board during the year that a resolution would not obtain the requisite approval at an extraordinary general meeting (EGM).

Subsequent to this, NSSA instituted legal proceedings against RTG in order to recover the initial loan of $10 million plus interest. In December 2016, the High Court of Zimbabwe issued a judgement in favour of NSSA for the $10 million facility. NSSA is yet to execute its judgement and has allowed the Group to focus on alternative ways of restructuring the balance sheet, including the NSSA debt.

4. BALANCE SHEET RESTRUCTURING

The Group has convened a working party to work on a transaction to restructure the balance sheet. The proposal under consideration will be tabled before shareholders at an EGM to be held during the year.

5. DISCONTINUED OPERATIONS

The Group terminated the lease agreements with respect to RBBH and RHM effective 31 May 2016 and 30 September 2016 respectively. At the time of closure, the two hotels recorded losses from operations of $400,000. An impairment charge amounting to $1 million was accounted for on assets that were not transferrable to other hotels.

6. PRODUCT UPGRADES

The Group spent $1 million in upgrading its hotel facilities. The capital expenditure was funded from internally generated cash flows. The focus hotels were; Kadoma Hotel and Conference Centre (KHCC), New Ambassador Hotel and Victoria Falls Rainbow Hotel.

The refurbishment works at KHCC commenced during the last quarter of 2015. As at 31 December 2016, 40% of the rooms had been refurbished and painting of the hotel's exterior was completed.

New Ambassador Hotel has refurbished 50% of its 72 rooms with a focus on the in-room furniture, floors and bathrooms.

The refurbishments at Victoria Falls Rainbow Hotel commenced in November 2016. A complete facelift of the rooms which includes replacing furniture, fittings and soft furnishings as well as air conditioning equipment is being undertaken. Half of the rooms have now been completely refurbished.

7. CORPORATE SOCIAL INVESTMENT AND SUSTAINABLE GROWTH

The Group prioritises taking an active role in the betterment of the communities in which it operates through empowerment projects for sustainable community development. Significant progress was made in 2016 in the Group's nutritional gardens initiative in partnership with a local Non-Governmental Organisation - Community Capacity Building Initiative Centre in Africa (CCBICA). In 2016 Rainbow Towers Hotel and Conference Centre became the third hotel in the Group to implement the project, in addition to Kadoma Hotel & Conference Centre and Bulawayo Rainbow Hotel. Over 500 people from local communities were trained in 2016 in the gardens located at Kadoma Hotel and Conference Centre, Bulawayo Rainbow Hotel and Rainbow Towers Hotel. The training included skills in the production of organic vegetables and nutritional herbs. Trainees were taught the nutritional value of all the plants and how to produce them organically. Armed with the knowledge gained from the trainings the communities were able to develop self-sustaining nutritional gardens for consumption and commercial purposes.

The Group maintained its commitment to assist the Zimbabwe National Army Charities, with a focus on the Tsanga Lodge Rehabilitation Centre for soldiers injured whilst in service. In 2016, the Group donated bath tubs, beds, blankets and bed sheets.

8. DIVIDENDS

In view of the loss recorded during the year, the Board resolved not to declare a dividend.

9. DIRECTORATE

There were no changes to the directorate since the last reported position.

10. OUTLOOK

The Group is well-positioned to benefit from the recent developments in the local tourism industry. The opening of the new Victoria Falls International Airport presents opportunities for revenue growth. In the near term, the Group is determined to maintain the revenue growth momentum through focusing on business opportunities that drive foreign revenues whilst maintaining its share of the domestic market.

RTG will continue to avail innovative 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.

11. ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank all RTG customers and business partners for their invaluable support. I also thank the Board 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

27 April 2017

A'Zambezi River Lodge (river facing rooms)

A'Zambezi River Lodge at dusk

"To give real service you must add something which cannot be bought or measured with money, and that is sincerity and integrity."

Douglas Adams

High Tea on the banks of the Zambezi River

CHIEF EXECUTIVE OFFICER'S REPORT

"We remain optimistic that the Group is now poised for profitable growth. We strongly believe that the strategies being pursued will yield strong performance from 2017 and beyond."

1. INTRODUCTION

The year 2016 was a milestone year in the RTG journey. The Group is now strong and ready to grow having successfully put closure on legacy matters. Our strategy of driving down costs through centralization of procurement resulted in savings worth $2 million over a four year period. Of significance was the retirement of Afreximbank and PTA Bank loans totaling $10.5 million. The loans had been taken for the refurbishment of A'Zambezi River Lodge ($3.5 million) and Rainbow Towers Hotel & Conference Centre ($7 million) respectively. In addition to the debt settlement, RTG invested $6.5 million in CAPEX that was channeled towards product improvement. Over the four year journey we exited non performing hotels that include Matetsi Water Lodge in Victoria Falls, Savoy Hotel and Edinburgh Hotel in Zambia, Hotel Mozambique in Beira Mozambique, and Rainbow Beitbridge Hotel which were weighing down overall Group performance. The exits will preserve shareholder value amounting to $1 million annually from 2017 going forward. We would like to thank the major shareholder National Social Security Authority (NSSA) for their continued support as evidenced by the $13.6 million loan extended to the Group. Our focus now is on restructuring this debt to allow us to meet debt servicing obligations.

Our trading performance in 2016 declined due to various external factors prevailing in the economy, the major one of which was the social media attacks directly targeted at the Group's flagship, the Rainbow Towers Hotel and Conference Centre. Notwithstanding this performance decline, strong revenue performance from the rest of the hotels within our portfolio mitigated the impact of the Rainbow Towers Hotel and Conference Centre decline. The Group shall continue to build on the positive performance of these hotels while employing strategies to bolster Rainbow Towers Hotel and Conference Centre performance.

1.1 Global Tourism Overview

On the global front, demand for International tourism remained robust in 2016 despite global economic challenges and the threat of terrorism in major European cities. According to the UNWTO barometer, tourist arrivals grew by 3.9% in 2016 compared to 2015. Based on the current trends and the outlook of the UNWTO Panel of experts, UNWTO projects international tourist arrivals to grow at a rate of 3% to 4% in 2017.

1.2 Local Tourism Overview

The local tourism industry's performance was subdued in 2016 mainly due to a wide range of socio-political challenges in the country. The industry experienced a decline in both occupancy and ADR. National occupancies closed at 46% in 2016 against 47% in 2015 while national ADR closed at $89 in 2016 compared to $93 in 2015. Notwithstanding the above, RTG stood firm and held its position as the market leader, achieving a 55% occupancy, 18% above the market average. The Group will continue to activate innovative strategies to grow revenues and occupancies, coupled with strategic promotions and seamless service delivery.

2. FINANCIAL PERFORMANCE REVIEW

2.1 Revenues

2016 revenues closed at $24.1 million, 11% below full year 2015. The drop in revenues was due to the sustained social media attacks against Rainbow Towers Hotel and Conference

Centre. These attacks led to direct cancellations of bookings from guests, particularly foreign groups and NGOs. This cost the Group $3.2 million in lost revenues.

It is notable that in spite of the difficult operating environment in 2016, the Group achieved the following key milestones;

- 20% growth in foreign business from $6.7 million in 2015 to $8.1 million in 2016. The Group is targeting to grow further the foreign revenues to $8.8 million in 2017.
- 26% growth in business generated by the RTG South Africa Office from $3.4 million in 2015 to $4.3 million in 2016.
- 36% growth in E-commerce business from $661,000 in 2015 to $901,000 in 2016.

2.2 Discontinued Operations

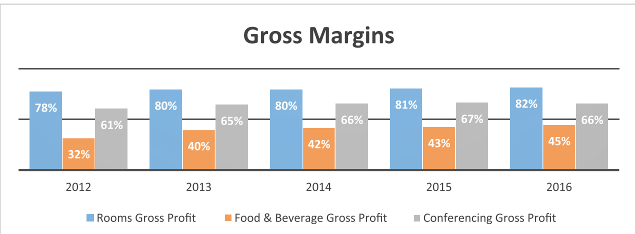
The Group successfully completed the business re-alignment process in 2016 by exiting loss making operations. Following the Group's closure of Rainbow Beitbridge Hotel (RBBH), the hotel's movable assets were transferred to other units. This has assisted in enhancing the product offering of the Group's hotels as the furniture from RBBH was still relatively new and in good condition. In addition to this, the assets transfer spared the Group a cash outlay on planned replacement of worn-out rooms' furniture and conferencing equipment in the target hotels.

Upon exiting Rainbow Hotel Mozambique and in accordance with the terms of the lease agreement, the lessor remained with all leasehold improvements that had been effected by the Group, amounting to $413 000. The exit resulted in an impairment charge of the leasehold improvements.

The Group now has an optimal property mix which will drive our organic growth strategy going forward.

2.3 Operating Margins & Overhead Costs Reduction

Our turnaround journey has witnessed a steady growth in EBITDA performance. Our business model continues to thrive on cost reduction. To date, we have managed to expand margins as demonstrated in the graph below;



The 2016 EBITDA performance was mainly affected by reduced revenues. On a like for like analysis, our EBITDA would have been $3.4 million as reconciled below;

Item	Amount
Actual EBITDA	400,000
Impact on EBITDA (63% of Revenue) of Rainbow Towers Hotel lost revenues	2,400,000
Retrenchment costs	600,000
Revised EBITDA	**$3,400,000**

During the year, the Group recorded a reduction of 13% ($0.6 million) in direct labour costs compared to same period last year. The saving was achieved despite retrenchment costs of a similar magnitude being accounted for in full in the 2016 financial year.

We anticipate the permanent reduction in staff costs to contribute significantly to the Group's profitability going forward.

2.4 Group borrowings

Over the past four years, the Group has paid $18 million towards loan capital repayments ($11 million towards capital and $7 million towards interest expense). As at 31 December 2016, RTG's loan book reduced to $17 million from $24 million in 2012. The focus going forward will be to retire expensive short term debt and restructure the $13.6 million NSSA loan.

We are pleased to report that RTG has successfully repaid the Afreximbank and PTA bank loans. The table below shows loan repayments since 2012;

FINANCIERS	Dec 2012 Actual (000)	Dec 2013 Actual (000)	Dec 2014 Actual (000)	Dec 2015 Actual (000)	Dec 2016 Actual (000)	Movement 2012-2016 (000)
Afreximbank	7,125	4,875	3,305	1,928	1,100	6,025
PTA Bank	3,038	2,049	1,290	662	113	2,925
NSSA	5,000	12,955	13,616	13,640	13,640	(8,640)
Local Banks in Zimbabwe	9,367	3,994	4,007	3,122	2,384	6,983
Total	24,530	23,873	22,218	19,352	17,237	7,293

3. SERVICE DELIVERY

The Group's 2016 focus has been to realign the business structure and adapt to the changing operating environment. A robust control environment has enhanced the Group's ability to further streamline costs and remodel the hotels' profitability.

Sustained cost reduction has been achieved over the years without compromising on quality. In 2016 the Guest

Satisfaction Index (GSI) was at par with 2015 at 88%. The Group is undergoing a transition from ISO 9001:2008 quality standard to the ISO 9001:2015, which incorporates a risk based approach. This approach will further enhance the delivery of service excellence and embraces an organization-wide quality orientation. In an effort to remain competitive and deliver on the promise of service excellence, the Group has invested $6.5 million in product upgrades since 2012.

4. PROSPECTS

The platform for continued growth is firmly in place, comprising a committed and focused workforce, an optimally configured business model and a pipeline of opportunities to continue to meet stakeholder expectations. RTG is ready to face the challenge of an ever-changing macro environment and we relish the opportunities such an environment presents. Our strategy going forward is underpinned by the following;

1. Pursue an organic growth model through expansion of the Victoria Falls properties.
2. Aggressively grow the RTG Virtual Business Model.
3. Expand the Food and Beverage business by increasing the uptake of RTG mobile and home outside catering.
4. Tap into the Diaspora market by offering exciting products.
5. Repositioning RTG as an Afro - centric brand that offers guests the experience of a rich African heritage.
6. Harness the creative power of ICTs for seamless business processes and growth opportunities.

We remain optimistic that the Group is now poised for profitable growth. We strongly believe that the strategies being pursued will yield strong performance from 2017 and beyond.

……………………………………

T. M. MADZIWANYIKA
CHIEF EXECUTIVE OFFICER

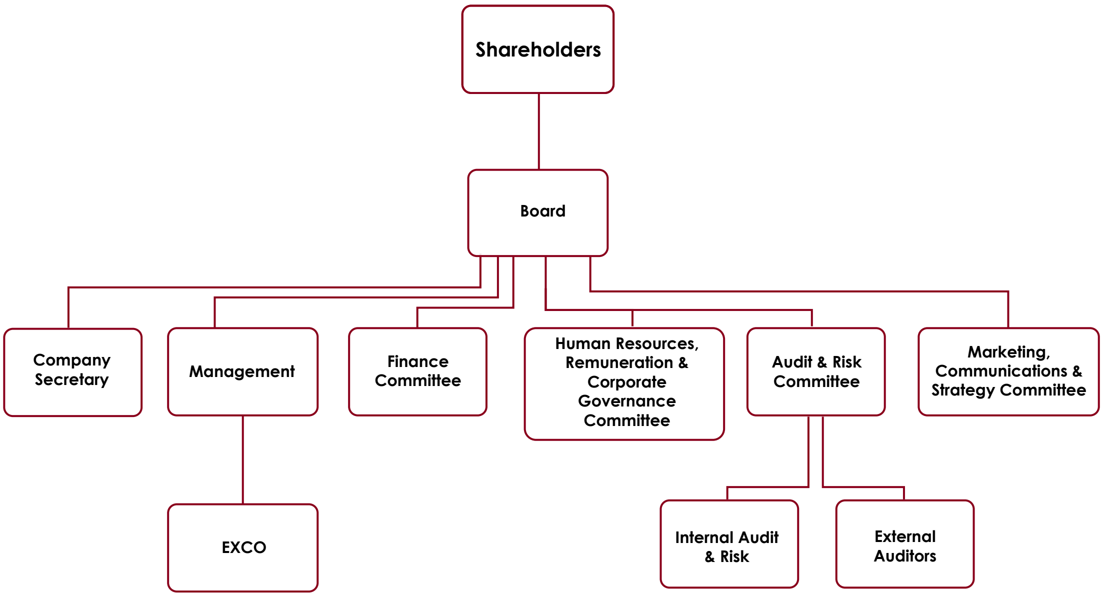
27 April 2017

CORPORATE GOVERNANCE REPORT

1. INTRODUCTION

RTG is committed to maintaining high standards of corporate governance and views good corporate governance as a vital ingredient in operating a successful business. We believe that sound and effective corporate governance practices are vital in assuring all stakeholders that the business is being managed in a smooth, effective and transparent manner.

Below is the current corporate governance framework of the Group;



Detailed guidelines, policies and procedures have been formulated in the Board Charter as well as various policy documents and the terms of reference of the Board Committees. These documents are reviewed regularly by the Board and the relevant Board Committees and are updated in line with amendments of applicable legislation and rules as well as current market practices. The corporate governance framework under which the Group operates is derived from the Code of Corporate Practices and Conduct as set out in the King Report 2009 (King III), the United Kingdom Combined Code and the Reserve Bank of Zimbabwe Corporate Governance Guidelines. The Group has also taken positive steps to comply with the 2015 National Code on Corporate Governance (Zimbabwe).

2. BOARD OF DIRECTORS

The primary role of the Board is to protect and enhance long term shareholder value. It is at the core of our corporate governance practice and oversees how management serves the long-term interests of all stakeholders. In the course of discharging its duties, the Board acts independently, in good faith, with due diligence, care and in the best interests of the company and its shareholders.

The RTG Board currently has eleven members, two of whom are executive and nine of whom are non-executive. The non-executive directors provide the necessary objectivity for the Board's effective functioning and carry sufficient weight in the Board's deliberations and resolutions. The Board's composition reflects varying skills, experience and diversity among its members to provide sound judgment on strategic issues and effective oversight of and guidance to management. The Board members are fully aware of their duties to ensure that the Group maintains a high standard of corporate governance.

The Board Chairman is an independent non-executive director in terms of the King III classification. In line with the Articles of Association, the roles of the Chairman and Chief Executive Officer are separate and distinct and the Board composition comprises a balance between the nine non-executive directors and the two executive directors, namely the Chief Executive Officer and the Finance Director. This allows for separation of responsibilities and enhancement of the Board's oversight function over the management function.

The Board meets at least once every quarter to review and monitor the performance of the Group and executive management. Certain matters are considered at all Board meetings including the Chief Executive's Report and Board Committee Reports. Special Board meetings or Special Committee meetings can be held to deliberate on ad-hoc matters that arise in between scheduled Board meetings.

ATTENDANCE AT SCHEDULED MEETINGS OF THE BOARD AND BOARD COMMITTEES IN THE 2016 FINANCIAL YEAR.

Name	Board Meeting	Audit & Risk Committee	Human Resources, Remuneration & Corporate Governance Committee	Marketing, Communications, & Strategy Committee	Finance Committee
J. M. Chikura	6/6	N/A	5/5	N/A	N/A
T. M. Madziwanyika	6/6	4/4	5/5	4/4	4/4
N. K. Mtukwa	6/6	4/4	5/5	4/4	4/4
T. T. Mlobane	5/6	N/A	N/A	N/A	4/4
D. Hoto	5/6	4/4	5/5	N/A	N/A
I. C. Haruperi	2/6	3/4	3/5	N/A	N/A
S. N. Chibanguza	6/6	N/A	N/A	3/4	N/A
S. T. Biyam	5/6	N/A	N/A	N/A	4/4
D. Mavhembu	5/6	4/4	N/A	3/4	N/A
B. A. Shenje	5/6	N/A	N/A	N/A	4/4
C. J. Murandu	4/6	N/A	N/A	4/4	N/A

3. BOARD COMMITTEES

The Company's Articles empower the Board to delegate its powers to committees consisting of selected members. The Board has four committees, namely the Audit and Risk Committee, the Human Resources, Remuneration and Corporate Governance Committee, the Marketing, Communications and Strategy Committee and the Finance Committee.

3.1 Audit and Risk Committee

The Committee comprises of three non-executive directors. The Committee deals inter alia with compliance, internal control and risk management. The external auditors may be invited to attend scheduled meetings as *ex-officio* members. The Committee meets at least four times a year.

3.2 Human Resources, Remuneration and Corporate Governance Committee

The Committee comprises of three non-executive directors. The primary function of the Committee is to assist the Board by reviewing policies relating to senior executives' remuneration and the current industry practice with regards to executive remuneration. The Committee also makes recommendations to the Board on its composition and the balance between executive and non-executive directors. Skill and diversity is also taken into account in this process.

3.3 Marketing, Communications and Strategy Committee

The Marketing, Communication and Strategy Committee is made up of three non-executive directors. The purpose of the Committee includes an independent review and advise on the Group's marketing, sales and overall strategy initiatives.

3.4 Finance Committee

The Finance Committee is composed of three non-executive directors. The Committee assists the Board in its consideration and approval of various matters including;

3.4.1 ongoing oversight pertaining to capital structure and funding;

3.4.2 capital management and planning initiatives; and

3.4.3 due diligence on acquisitions, divestments including proposals which may have a material impact on the Group's capital position.

4. BOARD CHARTER

The Board has an approved Charter which details inter alia the manner in which the Board conducts its business.

5. DEALING IN SECURITIES

The Board has implemented a formal trading policy prohibiting directors, officers and employees of the company from dealing in the company's shares during its closed periods as prescribed by the Zimbabwe Stock Exchange (ZSE) Listing Rules.

6. DEMATERIALIZATION OF SECURITIES

The Securities Act [Chapter 24:25] (the Securities Act) authorizes the ZSE to convert paper-based share certificates into an electronic format. Pursuant to the Securities Act, the Securities Exchange Commission awarded Chengetedzai Depository Company the rights to establish, operate and develop a central securities depository system in which securities will be traded in dematerialized/electronic form.

In terms of section 72 of the Securities Act, a shareholder who so wishes to participate in an established central securities depository system may do so by electing to convert his or her securities into dematerialized form. Section 72 supersedes all other provisions to the contrary in the Group's Act [Chapter 24:03] and by implication the company's articles and memorandum of association.

Section 72 of the Securities Act requires that the conversion of securities of a listed company into dematerialized form must be authorized by the directors of that company. In 2015, the RTG Board passed a resolution authorizing and empowering the company to convert its securities into dematerialized form and deal in such dematerialized securities. This resolution is subject to the requirements of the Securities Act [Chapter 24:25], and in particular the individual consent of the holder of securities in the company.

RTG's shareholders may accordingly, through Chengetedzai Depository Company at any time apply for the conversion of their share certificate into electronic instruments and deal with their respective securities in that form.

7. ETHICS

The Group subscribes to sound principles of ethics and good business practices. A code of ethical business conduct is in place and is consistently enforced with disciplinary measures.

DIRECTORS' RESPONSIBILITY STATEMENT

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements for the year ended 31 December 2016

It is the Directors' responsibility to ensure that the consolidated financial statements fairly present the state of affairs of the Group. The external auditors are responsible for independently reviewing and reporting on the consolidated financial statements.

The Directors have assessed the ability of the Group to continue as a going concern and believe that the preparation of these consolidated financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the Group to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these consolidated financial statements.

The consolidated financial statements set out in this report have been prepared by management in accordance with International Financial Reporting Standards (IFRSs). They are based on appropriate accounting policies which are supported by reasonable prudent judgements and estimates.

The Group's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and all employees are required to maintain the highest ethical standards in ensuring that the Group's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that come to the attention of the Directors have been addressed and the Directors confirm that the system of accounting and internal control is operating in a satisfactory manner.

The Group's consolidated financial statements which are set out on pages 34 to 60 were, in accordance with their responsibilities, approved by the Board of Directors on 27 April 2017 and are signed on its behalf by:

....
J. M. Chikura
Chairman

....
T. M. Madziwanyika
Chief Executive

These consolidated financial statements were prepared under the supervision of:

....

Napoleon Mtukwa (FCCA)
Registered Public Accountant (PAAB No: 03924)
Finance Director
Rainbow Tourism Group Limited

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2016.

SHARE CAPITAL

The authorised share capital of the company remained unchanged from the previous year at US$250 000 divided into 2 500 000 000 ordinary shares of $0.0001 each, of which $187 049.55 divided into 1 870 495 543 ordinary shares of $0.0001 cents has been issued.

RESERVES

The movement of the reserves of the Group is shown in the statement of changes in equity.

DIVIDENDS

In view of the loss recorded during the year, the Board resolved not to declare a dividend.

DIRECTORS

Shareholders will be requested to re-elect Mssrs. Ian Chamunorwa Haruperi, Shingirai Norman Chibanguza and Douglas Hoto who retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS FEES

Shareholders will be asked to approve payment of directors' fees of $82 371 for the year ended 31 December 2016.

AUDITORS

A resolution seeking the re-appointment of Messrs. Grant Thornton Chartered Accountants (Zimbabwe) as auditors of the Group until the next annual general meeting and approval of their remuneration for the past year's audit amounting to $81 971 will be submitted at the Annual General Meeting.

BORROWING POWERS

In terms of the Articles of Association, the company is authorised to borrow funds amounting to, but not exceeding twice the aggregate of:-

i. The amount of issued and paid up share capital of the company; and
ii. The total amount of capital and revenue reserves of the company including share premium.

The directors confirm that during the year under review the Group's borrowings were within the above limits.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The directors are responsible for the maintenance of adequate accounting records and the preparation of the financial information included in this Annual Report. The Financial Statements have been consistently prepared in accordance with International Financial Reporting Standards, and where required, reflect our best estimates and judgements.

To fulfill this responsibility the Group maintained systems of internal control which are designed to provide reasonable assurance that the records accurately reflect the transactions of the Group and safeguard its interests.

The Group financial statements have been prepared on the going concern basis since the directors have every reason to believe that the Group has adequate resources to continue into the foreseable future.

For and on behalf of the Board,

N. K MTUKWA
COMPANY SECRETARY

The Rainbow Towers Hotel and Conference Centre (HICC)

"Excellence is doing ordinary things extraordinarily well."

- E. F. Schumacher

Rainbow Towers Hotel Chefs

INDEPENDENT AUDITORS REPORT

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www.grantthornton.co.zw

To the members of Rainbow Tourism Group Limited and its subsidiary

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Rainbow Tourism Group Limited and its subsidiary ("the Group") set out on pages 34 to 60, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Rainbow Tourism Group Limited and its subsidiary as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

On 14 December 2016, the High Court of Zimbabwe issued a provisional sentence against the Group in respect of a loan that had become due and payable to a financier and also shareholder, the National Social Security Authority (NSSA). In terms of this judgement, an order was issued declaring the security pledged against the loan as executable. The judgement was for an amount of USD 10 811 861.79, plus interest at a rate of 10% per annum, from 30 September 2016 to date of payment in full. The interest on this loan, included in these financial statements was accrued at 6% per annum, following a loan restructuring arrangement between RTG and NSSA, in terms of which the tenure of the loan facility was restructured to seven (7) years and interest reduced from 10% to 6%.

If the order is executed, this may result in a disposal of a significant part of the assets or component(s) of the Group's operations. As disclosed in note 28 to these financial statements, the Directors have initiated a process of engagement with the National Social Security Authority and other major shareholders to address this and other matters through a restructuring of the balance sheet. The Directors have tabled a proposal on the restructuring of the balance sheet.

As the shareholders' approval had not yet been obtained at the date of this report, the Directors have not been able to provide us with a commitment in the form of a resolution from shareholders regarding the restructuring of the balance sheet. Consequently we were unable to determine whether any adjustments relating to assets and liabilities in these consolidated financial statements were necessary as the effects of the possible actions that maybe taken by the financier cannot be presently determined. No provision for additional interest or any liability that may arise has been made in these consolidated financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw your attention to **note 28** to these consolidated financial statements, which indicates that the Group's current liabilities as at 31 December 2016 exceeded the current assets by **USD 25 600 261 (2015: USD 9 600 122)**. As stated in **note 28** to these consolidated financial statements, these events or conditions, along with other matters as set forth in note 28, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated financial statements.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>Borrowings
The Group's borrowings are equivalent to 35% of the Group's total assets. A significant portion of these borrowings are secured by mortgage bonds that were registered over the properties of the Group. Refer to note 11 to the financial statements.

The key audit matter in this regard pertains to the following:

• Classification of borrowings into current, non- current;
• Measurement; and
• Disclosure.</td><td>• We evaluated whether management had appropriately measured borrowings by obtaining loan confirmations directly from financiers to ascertain the level of the Group's indebtedness.
• Where confirmations were not received, we reviewed correspondence between the Group and the financiers and recalculated the loan balance on the basis of loan repayments made during the year and interest payable on the loans.
• Reviewed payments made by the Group towards servicing of loan obligations, and reviewed correspondence between the Group and its financiers to determine whether the Group was adhering to the terms of the loan agreements.
• Reviewed the consolidated financial statements to ascertain whether the borrowings had been correctly classified as either current or non-current liabilities.
• Inspected the consolidated financial statements to ascertain whether management had made appropriate disclosures with regards to borrowings, including any encumbrances against assets.
• Inspected minutes of board meetings to confirm completeness of the Group's borrowings.
• Obtained forecast financial projections and performed the following procedures:
i. Assessed the appropriateness of the assumptions applied by management in developing the forecasts for reasonableness.
ii. Assessed the competence and experience of the individuals responsible for the preparation of the budget.
iii. Performed a comparison of prior year budgets to actual results to assess the ability of management to make reasonable estimates.
iv. Assessed the ability of the Group to adhere to loan covenants on the basis of future cash flows expected to be generated by the Group.
• In our view, the measurement, presentation and disclosures made by management in the consolidated financial statements regarding borrowings is adequate.
• The ability of the Group to comply with debt covenants is dependent on the success of capital raising and/or debt restructuring initiatives being pursued by the Group.</td></tr>
</table>

Key Audit Matter	How our audit addressed the Key Audit Matter
Income taxes IIncome tax was significant to our audit because the assessment process is complex and the amounts involved are material to the consolidated financial statements as a whole. Determining the amounts which need to be taxed is subject to judgement. Where there is uncertainty, management makes provision for tax based on the most probable outcome. **Deferred tax** The Group has a significant amount of deferred tax assets, mainly resulting from net operating losses. The risk exists that future profits will not be sufficient to fully recover the deferred tax assets. Management supports the recoverability of the deferred tax assets mainly with income projections which contain estimates of and tax strategies for future taxable income. Changes in for example the industrial footprint, the business and its markets and changes in regulations may impact these projections.	• We involved our tax specialist to evaluate the recognition and measurement of tax liabilities. • Reviewed correspondence between the Group and statutory bodies to ascertain the Group's indebtedness. • Obtained management plans to settle outstanding obligations and determined whether they were adhering to those plans. • Assessed the reasonableness of management estimates. • The valuation of deferred tax assets is significant to our audit because the assessment process is complex and is based on estimates of future taxable income. In this area, our audit procedures included, among others, using our own tax specialists to assist us in assessing the appropriateness of the level of deferred tax asset balance recognised in the balance sheet. We mainly focused on the long-term forecasts and critically assessed the assumptions and judgments included in these forecasts by considering the historical accuracy of forecasts and the sensitivities of the profit forecasts. Based on the procedures performed, we consider management's key assumptions to be within a reasonable range. We also assessed the adequacy of the tax disclosures in the financial statements. • In our view, the disclosures relating to the income tax and deferred tax balances to be appropriate.
Discontinued operations The Directors made a decision to discontinue operations of the Rainbow Beitbridge Hotel and Rainbow Mozambique. Management has therefore assessed that the decision to discontinue the operations of the two hotels should be presented as discontinued operations in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations. The Key Audit matter in this regard pertains to the appropriate application of IFRS 5, in particular: • Whether the classification made is in accordance with the requirements of IFRS 5; and • Whether the assets and liabilities are measured at the lower of fair value less costs to sell or their carrying amounts. The disclosure of the two hotels is contained in the consolidated statement of financial position, the consolidated statement of comprehensive income and **note 27** to the financial statements.	• Evaluated whether management had appropriately applied the requirements of IFRS 5 by examining the minutes of Directors' board meetings to ascertain whether the two hotels should be accounted for as discontinued operations. • Ensuring the assets and liabilities reflected as held for sale and the results presented as discontinued operations fairly present the financial position and results of the Group. • Assessed the adequacy of disclosures of the discontinued operations, and whether they meet the requirements of the relevant accounting standards. • In our view, the disclosures made by management in the consolidated financial statements with regards to the discontinued operations is appropriate and in accordance with the underlying accounting standards. • The measurement of the assets and liabilities of the discontinued hotels is appropriate with reference to the lower of fair value less costs to sell or carrying amount.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>Management override
• The Group has a wide geographic dispersion with hotels across Zimbabwe. This means that there is a greater risk of management override of internal controls. This is a significant risk and accordingly a key audit matter.</td><td>• In response we tested manual journal entries and incorporated unpredictability into our approach.
• We increased the nature and extent of our work in respect of the areas of the statement of financial position most prone to management override.
• Consideration was given as to whether there was evidence of bias by the Directors or by management in the significant accounting estimates and judgements relevant to the financial statements, material unusual transactions and for once-off transactions impacting the income statement.
• We increased the scope of our interviews with middle and lower level management and used the information gathered to assess whether there were any indications of management override taking place.
• Assessed the overall control environment of the Group, with a focus on those controls designed to prevent instances of fraud and the arrangements for staff to "whistle blow" inappropriate actions.
• To assess the strength of the Group's Governance and controls self-assessment, we interviewed senior management, members of the Board of Directors and the Head of Internal Audit.
• Assessed the Group's internal audit function including the following:
i. Evaluated the objectivity and independence of internal audit;
ii. Evaluated the competence of the individuals in the internal audit department by reviewing their qualifications and experience as well as their membership with Institute of Internal Auditors of Zimbabwe and other relevant bodies; and
iii. Reviewed internal audit reports as part of our risk assessment procedures.

• We found the Group's internal controls to be reasonably balanced.</td></tr>
</table>

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>Revenue and receivables

Overstatement of revenue
• Revenue is a key measure used to evaluate the performance of the Group. There is a risk that the revenue is presented at amounts higher than what has been actually generated by the Group. This is a significant risk and accordingly a key audit matter.</td><td>• Our audit procedures include testing of design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of revenue transactions.
• We identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review.
• The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation).
• Furthermore, we performed analytical procedures and assessed the reasonableness of explanations provided by management.
• We satisfied ourselves that the Group's revenue recognition is appropriate and that revenue was not overstated.</td></tr>
<tr><td>Allowance for credit losses
The Group has trade receivables amounting to USD 6 322 578 (Refer to note 7 to the consolidated financial statements). With significant amounts of receivables overdue for payment and the prevalent economic challenges, there is a likelihood that the full amount may not be recoverable. The Group assesses all trade receivables individually to assess their recoverability so as to provide for an allowance for credit losses. As at 31 December 2016, the Group's trade receivables of USD 3 511 669 were past due and impaired. The estimation of the recoverable amount of debtors requires significant judgement and is accordingly a key audit matter.</td><td>• We evaluated the assessment made by management of the allowance for credit losses to test adequacy.
• We performed an independent assessment of the allowance for credit losses and compared our results to the management estimate.
• The assessment was made on a debtor by debtor basis.
• We satisfied ourselves that the allowance for credit losses provided by the Group is adequate.</td></tr>
</table>

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of assets The Group has non-current assets amounting to **USD 37 073 151**, which are subject to annual reviews to assess whether they may be impaired. Any decline in performance may result in impairment losses being recorded. The Group uses a mixture of external valuations and internal analysis to assess its assets for impairment. The estimation of the recoverable amount of the assets is complex and dependent on assumptions about the future. Specifically, significant judgement is required in relation to the appropriate discount rates, growth rates, terminal values and forecast cash flows to use in determining value in use. Therefore, this is one of the key judgemental areas on which our audit is concentrated.	• Our procedures included considering whether there was an event or a change in circumstance that may have occurred during the period under review to indicate that assets may not be recoverable. • Examples of the types of event or changes in circumstances that would indicate the potential for impairment and that we considered during our audit are shown below: i. A significant decrease in the market value of an asset; ii. A significant change in the extent or manner in which an asset is used or a significant physical change in an asset; iii. A significant adverse change in legal factors or in the business climate that could affect the value of an asset or an adverse action or assessment by a regulator; iv. An accumulation of costs significantly in excess of the amount originally expected to acquire or construct an asset; and v. A current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with an asset used for the purpose of producing revenue. • We reviewed the accuracy of the impairment loss recognised by management. • In our view, we were satisfied with the impairment loss recognised in the consolidated financial statements and the related disclosures thereof.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Chairman's Statement and Company Secretary's Certificate, as required by the Companies Act (Chapter 24:03), which we obtained prior to the date of this auditors' report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

Report on other legal and regulatory requirements

In our opinion, the consolidated financial statements have been properly prepared in compliance with the requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/99 and SI 62/96).

The engagement partner on the audit resulting in this independent auditor's report is Alice Mafanuke.

Grant Thornton

Alice Mafanuke
Partner

Registered Public Auditor (PAAB No: 0465)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors
HARARE

28 April 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Notes	2016 USD	2015 USD
ASSETS			
Non-current assets			
Property and equipment	4	37 073 151	40 073 505
Intangible assets	5	103 220	129 023
Deferred tax	12	795 138	115 461
		37 971 509	**40 317 989**
Current assets			
Inventories	6	2 362 224	2 739 816
Accounts receivable	7	5 728 233	6 184 640
Other financial assets	8	14 638	14 638
Cash and cash equivalents	9	576 788	518 594
		8 681 883	**9 457 688**
Total assets		**46 653 392**	**49 775 677**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10.1	187 055	187 055
Share premium	10.2	4 477 500	4 477 500
Non-distributable reserve	10.3	16 711 500	16 711 500
Foreign currency translation reserve	10.4	-	(411 340)
Revaluation reserve	10.5	2 985 217	2 985 217
Other capital reserve	10.6	314 999	350 000
Accumulated losses		(12 305 023)	(7 222 414)
Total equity		**12 371 248**	**17 077 518**
Non-current liabilities			
Borrowings	11.1	-	13 640 349
Current liabilities			
Borrowings	11.2	16 493 240	4 604 938
Accounts payable	13	16 979 427	13 346 137
Bank overdraft	9	809 477	1 106 735
		34 282 144	**19 057 810**
Total liabilities		**34 282 144**	**32 698 159**
Total equity and liabilities		**46 653 392**	**49 775 677**

J. M. Chikura
Chairman

T. M. Madziwanyika
Chief Executive

N. K. Mtukwa
Finance Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2016

	Notes	2016 USD	2015 USD Restated
Revenue	14	**24 136 744**	**26 933 478**
Cost of sales		(7 626 506)	(8 964 855)
Gross profit		**16 510 238**	**17 968 623**
Other operating income	15	645 936	961 748
Administrative expenses		(9 327 824)	(8 259 921)
Distribution expenses		(2 406 176)	(2 405 617)
Other operating expenses		(7 347 504)	(6 777 536)
(Loss)/profit from operations		**(1 925 330)**	**1 487 297**
Net finance costs	16	(1 868 121)	(1 814 375)
Loss before tax	17	**(3 793 451)**	**(327 078)**
Income tax credit	18	679 722	1 108 386
(Loss)/profit for the year from continuing operations		**(3 113 729)**	**781 308**
Discontinued operations			
Loss from discontinued operations, net of tax	27	**(1 572 640)**	**(810 612)**
Loss for the year		**(4 686 369)**	**(29 304)**
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss:			
Exchange gain/(loss) arising from translation of foreign operations		15 100	(369 942)
Other comprehensive income, net of tax		**15 100**	**(369 942)**
Total comprehensive loss for the year		**(4 671 269)**	**(399 246)**
Earnings per share	19		
Basic loss per share:			
From continuing operations		(0.167)	0.042
From discontinued operations		(0.084)	(0.043)
Headline loss per share:			
From continuing operations		(0.166)	0.042
From discontinued operations		(0.084)	(0.043)

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	Notes	2016 USD	2015 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	20	**4 745 675**	**6 616 871**
Finance income		68 029	84 741
Other income		645 936	21 193
Finance costs		(1 936 149)	(1 899 116)
Net cash generated from continuing operations		**3 523 491**	**4 823 689**
Net cash utilised in discontinued operations		**(452 602)**	**(471 298)**
Net cash inflow from operations		**3 070 889**	**4 352 391**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on purchase of property and equipment	4	(960 407)	(1 323 063)
Proceeds from sale of property and equipment		3 545	22 060
Proceeds from sale of subsidiaries	15	-	240 000
Net cash used in continuing operations		**(956 862)**	**(1 061 003)**
Net cash used in discontinued operations		**(6 528)**	**(405 620)**
Net cash outflow from investing activities		**(963 390)**	**(1 466 623)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1 752 047)	(3 204 387)
Net cash outflow from financing activities		**(1 752 047)**	**(3 204 387)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**355 452**	**(318 619)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**(588 141)**	**(269 522)**
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	**(232 689)**	**(588 141)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Share capital USD	Share premium USD	Non-distributable reserve USD	Foreign currency translation reserve USD	Revaluation reserve USD	Other capital reserve USD	Accumulated losses USD	Equity attributable to the owners USD	Total equity USD
Balance at 1 January 2015	**187 055**	**4 477 500**	**16 711 500**	**(71 753)**	**2 985 217**	**-**	**(7 162 755)**	**17 126 764**	**17 126 764**
Total comprehensive loss for the year	**-**	**-**	**-**	**(369 942)**	**-**	**-**	**(29 304)**	**(399 246)**	**(399 246)**
Transfer within reserves	**-**	**-**	**-**	**30 355**	**-**	**-**	**(30 355)**	**-**	**-**
Contribution received in respect of conference centre refurbishments	**-**	**-**	**-**	**-**	**-**	**350 000**	**-**	**350 000**	**350 000**
Balance at 31 December 2015	**187 055**	**4 477 500**	**16 711 500**	**(411 340)**	**2 985 217**	**350 000**	**(7 222 414)**	**17 077 518**	**17 077 518**
Total comprehensive loss for the year	-	-	-	15 100	-	-	(4 686 369)	(4 671 269)	(4 671 269)
Realisation of other capital reserve	-	-	-	-	-	(35 001)	-	(35 001)	(35 001)
Transfer within reserves	-	-	-	396 240	-	-	(396 240)	-	-
Balance at 31 December 2016	**187 055**	**4 477 500**	**16 711 500**	**-**	**2 985 217**	**314 999**	**(12 305 023)**	**12 371 248**	**12 371 248**

1 GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

1.1 Nature of business and incorporation

Rainbow Tourism Group Limited, the Group's ultimate parent Group, is a limited liability Group 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. Its registered office and principle place of business 1 Pennefather Avenues, Harare, Zimbabwe. The Group's shares are listed on the Zimbabwe Stock Exchange.

1.2 Currency

The Group's financial statements are expressed in United States dollars which is both the functional and the presentation currency of the primary economic environment in which the Group operates.

1.3 Basis of preparation

The basis of preparation of financial statements is International Financial Reporting Standards.
The principal accounting policies applied in the preparation of these financial statements are set out below.

1.4 Statement of compliance

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards, promulgated by the International Accounting Standards Board (IASB) which includes standards and interpretations approved by IASB. The consolidated financial statements have been prepared on a historical cost basis, except for land and buildings classified as property and equipment and financial assets.

The consolidated financial statements for the year ended 31 December 2016 (including comparatives) were approved and authorised for issue by the Board of Directors on 27 April 2017. Amendments to the financial statements are not permitted after approval.

2 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE Group

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below. Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

2.1 IFRS 9 'Financial Instruments'

The new standard for financial instruments (IFRS 9) introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

2.1.1 The classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed;

2.1.2 An expected credit loss-based impairment will need to be recognised on the Group's trade receivables unless classified as at fair value through profit or loss in accordance with the new criteria;

2.1.3 It will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Company makes an irrevocable designation to present them in other comprehensive income; and

2.1.4 If the Group continues to elect the fair value option for certain financial liabilities fair value movements will be presented in other comprehensive income to the extent those changes relate to the Group's own credit risk.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

2.2 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Management intends to adopt the Standard retrospectively, recognising the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings on the initial date of application. Management has started to assess the impact of the new Standard, and has discovered that no significant changes will affect the way the Group recognise and measure its revenues.

The effective date of IFRS 15 was changed from 1 January 2017 to 1 January 2018.

2.3 IFRS 16 'Leases'

IFRS 16 will replace IAS 17 and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. IFRS 16 is effective from periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information.

However, in order to determine the impact, the Group is in the process of performing a full review of all agreements to assess whether any additional contracts:

2.3.1 Will now become a lease under IFRS 16's new definition;

2.3.2 Deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated);

2.3.3 The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;

2.3.4 Assessing their current disclosures for operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets;

2.3.5 Determining which optional accounting simplifications apply to their lease portfolio and they are going to use these exemptions; and

2.3.6 Considering the IT system requirements and whether a new leasing system is needed. This is being considered in line with implementing IFRS 15 and IFRS 9 so the Company only have to undergo one set of system changes assessing the additional disclosures that will be required.

3 SUMMARY OF SIGNIFICANT POLICIES

3.1 Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below:

3.2 Basis of consolidation

The financial statements consolidate those of the parent company and its subsidiary as at 31 December 2016. The subsidiary have a reporting date of 31 December. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The consolidated financial statements incorporate the financial statements of the Company (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

3.2.1 has power over the investee;

3.2.2 is exposed, or has rights, to variable returns from its involvement with the investee; and

3.2.3 has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of

3.2 Basis of consolidation (continued)

the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power including:

3.2.4 the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

3.2.5 potential voting rights held by the company, other vote holders or other parties;

3.2.6 rights arising from other contractual arrangements; and

3.2.7 any additional facts and circumstances that indicate that the company has, or does not have the current ability to direct the relevant activities at the time that the decisions need to be made, including voting patterns at previous shareholder's meeting.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficient balance.

When necessary adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Effectively where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

3.3 Business combination

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are not consolidated from the date control ceases.

3.4 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the US dollar, are translated into US dollars upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

3.5 Revenue

3.5.1 Rendering of services

Revenue arises from the rendering of services by the Group. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. It is measured at the fair value of the consideration received or receivable net of taxes.

3.6 Other income

Interest income is accrued on a time basis by reference to the principal amount outstanding and effective interest rate applicable. With effect from 1 January 2016, rental receivable income is now treated as other income. The previous accounting policy was to treat rental receivable income as revenue. This change in policy has been applied retrospectively.

3.6 Other income (continued)
The change in policy will not affect the overall group performance.

3.7 Operating expenses
Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

3.8 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

3.9 Inventories
Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

3.10 Property and equipment
Items of property and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred. The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each statement of financial position date.

Land and capital work-in-progress are not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property and equipment so as to write off their carrying value over their expected useful economic lives. It is provided on a straight line basis over the remaining useful lives at the following rates:

Buildings	2-4%
Leasehold improvements	5-20%
Furniture and equipment	10-15%
Motor vehicles	25-33%

Land and buildings are revalued after every three years by an independent appraiser based on market evidence of the most recent prices achieved in arms length transactions of similar properties. The surplus arising from the revaluation is recognised directly into equity.

3.10.1 Impairment of property and equipment
The carrying amount of property and equipment is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment loss is recognised directly through the statement of comprehensive income when the carrying amounts of the assets exceed the fair values of the respective assets.

3.10.2 Derecognition of property and equipment
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from use or disposal.

3.11 Externally acquired intangible assets
Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The useful economic life of the Group's intangible assets is as follows:
Microsoft user rights 8 years

3.12 Post-employment benefits - defined contribution schemes
Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

3.13 Leases
Where substantially all of the risks and rewards

incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor. Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated cost such as maintenance and insurance, are expensed as incurred.

The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

3.14 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

3.14.1 they are available for immediate sale;

3.14.2 management is committed to a plan to sell;

3.14.3 it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;

3.14.4 an active programme to locate a buyer has been initiated;

3.14.5 the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and

3.14.6 a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

3.14.7 their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and

3.14.8 fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

3.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and reliable estimate of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.16 Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

3.17 Earnings per share

Earnings per share is calculated by dividing profit/(loss) after tax by the weighted average number of shares in issue throughout the year.

3.18 Financial instruments

3.18.1 Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

3.18.2 Fair value through profit or loss

This category comprises only in-the-money derivatives (see financial liabilities section for out of-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

3.18.3 Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

3.18.4 Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available for-sale and comprise principally the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value, other than those arising due to exchange rate fluctuations and interest calculated using the effective interest rate, recognised in other comprehensive income and accumulated in the available-for-sale reserve. Exchange differences on investments denominated in a foreign currency and interest calculated using the effective interest rate method is recognised in profit or loss.

Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognised in other comprehensive income, is recognised in profit or loss. Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available-for-sale reserve. On sale, the cumulative gain or loss recognised in other comprehensive income is reclassified from the available-for-sale reserve to profit or loss.

3.18.5 Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. Other than financial liabilities in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

3.18.6 Fair value through profit or loss

This category comprises only out-of-the-money derivatives (see financial assets for in the money derivatives). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

3.18.7 Other financial liabilities

Other financial liabilities include the following items:

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. Interest expense in this context includes initial transaction costs and other payable on maturity, as well as any interest or coupon payable while the liability is outstanding.

Liability components of convertible loan notes are measured as described further below. Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

3.18.8 Fair value measurement hierachy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

3.18.9 Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest Group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units (CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

3.18.10 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of bank balances and amounts due from other banks and dealing securities.

3.19 Cost of sales

Cost of sales includes the cost of materials, cost of direct labour in the production of and production of food costs.

3.20 Service stocks

Service stocks relates to linen, cutlery and cookery. These are recognized as stocks in the statement of financial position.

3.21 Income tax

3.21.1 Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

3.21.2 Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except: Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except: "where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures. Deferred tax assets are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets at each statement of financial position date are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each statement of financial position date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority. Deferred capital gains tax arises on the revalued property. The capital gains tax liability is computed on the revaluation adjustment based on rates ruling on the statement of financial position date.

3.22 Significant judgements in applying the Group's accounting policies

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

3.22.1 Trade receivables

The Group assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgement as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

3.22.2 Impairment testing

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

4 PROPERTY AND EQUIPMENT

Group	Land and buildings USD	Leasehold improvements USD	Capital work in progress USD	Furniture and equipment USD	Motor vehicles USD	Total USD
Carrying amount at 1 January 2015	24 085 349	5 540 192	2 339 443	8 454 487	470 067	40 889 538
Additions	-	230 309	229 660	1 529 626	89 088	2 078 683
Transfers in/(out) of capital working in progress	-	129 842	(1 785 586)	1 655 744	-	-
Disposals	-	-	-	(34 550)	-	(34 550)
Net exchange differences	-	(45 654)	(189 654)	(126 468)	(4 405)	(366 181)
Depreciation charge for the year	(657 262)	(292 907)	-	(1 491 854)	(51 962)	(2 493 985)
Carrying amount at 31 December 2015	**23 428 087**	**5 561 782**	**593 863**	**9 986 985**	**502 788**	**40 073 505**
Additions	-	153 865	125 712	687 358	-	966 935
Disposals	-	-	-	(4 920)	-	(4 920)
Impairments of immovable property and equipment	-	(300 397)	-	(729 625)	(457)	(1 030 479)
Transfers	-	1 162 110	(545 029)	(617 081)	-	-
Depreciation charge for the year	(657 263)	(299 667)	-	(1 334 243)	(35 007)	(2 326 180)
Net exchange differences	-	(45 547)	-	(455 383)	(104 780)	(605 710)
Carrying amount at 31 December 2016	**22 770 824**	**6 232 146**	**174 546**	**7 533 091**	**362 544**	**37 073 151**

Land and buildings have been pledged as security for long term borrowings as more fully disclosed in note 11.3. There is a notarial general covering bond over the Group's movable assets. An impairment loss was recognized in respect of assets for the discontinued operations, that is, Rainbow Hotel Mozambique and Rainbow Beitbridge Hotel. In terms of the Group's agreement with Hotel Mozambique, the owners of the Mozambique property, all assets were to be disposed to the owner at nil consideration.

Land and buildings were last revalued by Bard Real Estate as at 31 December 2014.

5 INTANGIBLE ASSETS

	2016 USD	2015 USD
Carrying amount as at 1 January	129 023	154 829
Cost/valuation	235 932	235 932
Accumulated amortisation	(106 909)	(81 103)
Amortisation	(25 803)	(25 806)
Carrying amount as at 31 December	103 220	129 023
Cost/valuation	235 932	235 932
Accumulated amortisation	(132 712)	(106 909)

In 2011, the Group acquired rights to use certain Microsoft products indefinitely. However, considering the changes in technology, it is unlikely that the Group will continue to benefit for a period of more than 8 years. The intangible assets are therefore being amortised over 8 years.

		2016 USD	2015 USD
6	**INVENTORIES**		
	Food and beverages	208 081	373 496
	Service stocks	1 693 485	2 117 856
	Other stocks	460 658	248 464
		2 362 224	**2 739 816**
7	**ACCOUNTS RECEIVABLE**		
	Trade	6 322 578	7 606 565
	Less: Allowance for credit losses	(3 511 669)	(3 245 124)
		2 810 909	4 361 441
	Other receivables	2 917 324	1 823 199
		5 728 233	**6 184 640**

The fair value of trade and other receivables classified as trade and other receivables is as follows:

	2016 USD	2015 USD
Trade	2 810 909	4 361 441
Other	2 917 324	1 823 199
	5 728 233	**6 184 640**

As at 31 December 2016 the Group's trade receivables of USD 2 810 909 (2015: USD 4 361 441) were past due but not impaired. They relate to the clients with no default history. The aging analysis of these receivables is as follows:

	2016 USD	2015 USD
Up to 3 months	1 806 109	1 699 168
3 to 6 months	178 552	938 236
9 months and over	826 248	1 724 037
	2 810 909	**4 361 441**

Movement on the Group provision for impairment of trade receivables is as follows:

	2016 USD	2015 USD
Balance at 1 January	3 245 124	2 932 818
Provisions for the year	266 545	312 306
	3 511 669	**3 245 124**

The movement on the provision for impaired receivables has been included in other operating expenses on the consolidated statement of profit or loss and other comprehensive income.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

		2016 USD	2015 USD
8	**OTHER FINANCIAL ASSETS**		
	Quoted shares		
	Balance as at 1 January	670	670
	Disposals	-	-
	Balance as at 31 December	**670**	**670**
	Treasury bills		
	Balance at 1 January	13 968	13 697
	Fair value gains	-	271
	Balance at 31 December	13 968	13 968
	Total	**14 638**	**14 638**

The Treasury Bills (TBs) were issued in 2014 by the Government of Zimbabwe (GoZ) in settlement of Foreign Currency Accounts (FCAs) balances transferred to the Reserve Bank of Zimbabwe (RBZ) under Exchange Control Directive RI : 303 of 2007. These balances accumulated prior to the adoption of multi-currency system in 2009. The TBs were issued with effect from 10 April 2014 with maturity tenures of 3, 4 and 5 years and the GoZ will redeem the TBs in equal instalments beginning in year 3 with the final instalment being redeemed in year 5. The TBs attract an interest rate of 2% per annum and a half yearly coupon will be paid.

9 CASH AND CASH EQUIVALENTS

	2016 USD	2015 USD
For the purposes of the statement of cash flows, cash and equivalents comprise the following:		
Bank and cash balances	576 788	518 594
Bank overdraft	(809 477)	(1 106 735)
	(232 689)	**(588 141)**

The bank overdrafts are unsecured. The interest rates range between 12% and 15% per annum.

10 SHARE CAPITAL AND RESERVES

		2016 USD	2015 USD
10.1	**Share capital**		
	Authorised		
	2 500 000 000 ordinary shares of USD 0.0001 each	**250 000**	**250 000**
	Issued and fully paid		
	1 870 495 543 ordinary shares of USD 0.0001 each	**187 055**	**187 055**

The unissued shares are under the control of the Directors for an indefinite period subject to the limitations imposed by the Companies Act (Chapter 24:03), the Zimbabwe Stock Exchange and approval by members in a general meeting.

		2016 USD	2015 USD
10.2	**Share premium**		
	Balance at 1 January	4 477 500	4 477 500
	Movement during the year	-	-
	Balance at 31 December	**4 477 500**	**4 477 500**

		2016 USD	2015 USD
10.3	**Non distributable reserve**		
	Opening balance	16 711 500	16 711 500
	Movement during the year	-	-
	Closing balance	**16 711 500**	**16 711 500**

The non-distributable reserve is as a result of currency translation in 2009 from the Zimbabwe dollar which was the functional currency as well as presentation currency up to 21 January 2009. The assets and liabilities were translated to USD using the guidance issued by Public Accountants and Auditors Board and Zimbabwe Stock Exchange in 2009. The amounts attributable to assets that were disposed of were transfered to retained earnings.

		2016 USD	2015 USD
10.4	**Foreign currency translation reserve**		
	Opening balance	(411 340)	(71 753)
	Movement during the year	15 100	(339 587)
	Tranfer within reserves	396 240	-
	Closing balance	**-**	**(411 340)**

Foreign currency translation reserve is attributable to the translation of the financial results of the foreign operation in Mozambique. The Group closed the operation as at 30 September 2016. The translation reserve has been reclassified through reserves to retained earnings.

		2016 USD	2015 USD
10.5	**Revaluation reserve**		
	Opening balance	2 985 217	2 985 217
	Movement during the year	-	-
	Closing balance	**2 985 217**	**2 985 217**

Land and buildings were valued by Messrs BARD Real Estate in 2014.

		2016 USD	2015 USD
10.6	**Other capital reserve**		
	Opening balance	350 000	-
	Movement during the year	(35 001)	350 000
	Balance at 31 December 2015	**314 999**	**350 000**

The other capital reserve is attributable to a contribution received to finance the refurbishment of the Harare International Conference Centre (HICC). The reserve is non-distributable and shall be amortised over 10 years.

11. BORROWINGS

		2016 USD	2015 USD
11.1	**Long term loans**		
	African Export-Import Bank (Afreximbank)	1 100 000	1 928 014
	PTA Bank	113 579	661 845
	National Social Security Authority (NSSA) loan	13 640 349	13 640 349
	FBC Bank Limited	679 312	1 542 857
		15 533 240	**17 773 065**
	Less current portion of long term loans	15 533 240	4 132 716
		-	**13 640 349**
11.2	**Short term loans**		
	Stanbic Bank Limited	288 000	250 000
	CBZ Bank Limited	672 000	222 222
	Add : Current portion of long term loans	15 533 240	4 132 716
		16 493 240	**4 604 938**

11. BORROWINGS (continued)

11.3 Borrowings terms

African Export-Import Bank (Afreximbank) loan

The loan, which is denominated in United States dollars, carries interest at LIBOR rate plus market premium determined by the bank calculated as the variance between the bank's cost of funding and relevant LIBOR rate plus 5.5% per annum. The loan has a tenor of six years with a capital repayment grace period of one year. The Rainbow Towers Hotel lease was used as security for the loan. The facility tenure was extended from 31 December 2016 to 31 March 2017.

The loan agreement has a cash trapping clause which does not permit payment of dividends if debt service coverage ratio defined as gross revenue minus operating expenses divided by interest and principal payments falls below 150%.

PTA bank loan

The loan, which is denominated in United States dollars, carries interest of 3 months LIBOR rate plus 6% per annum during grace period and 3 months LIBOR rate plus 5.5% per annum thereafter. The loan has a tenor of seven years with a principal repayment grace period of one year and is secured by a bond in favour of the bank over Victoria Falls Rainbow Hotel and A 'Zambezi River Lodge with a carrying amount of USD 13 186 898.

NSSA loans

NSSA a shareholder/related party extended to the Group a loan of USD 10 million towards restructuring of the Group's debt and USD 3.6 million facility towards furnishing of Rainbow Beitbridge Hotel. The facilities were extended at an interest rate of 10% per annum. The USD 10 million facility is secured by a bond in favour of NSSA over Bulawayo Rainbow Hotel whilst the USD 3.6 million loan is secured by a bond in favour of NSSA over Victoria Falls Rainbow Hotel. During the course of 2016, NSSA tabled a term sheet to restructure the USD 13.6 million facility by a further 7 years at a reduced interest rate of 6%. The board approved the term sheet in March 2016. However, the restructuring proposal was not presented before shareholders as it later became apparent to the Board during the year that a resolution would not obtain requisite approval at an Extraordinary General Meeting (EGM).

Subsequent to this, NSSA instituted legal proceedings against RTG in order to recover the initial loan of USD 10 million plus interest. In December 2016, the High Court of Zimbabwe issued a judgement in favour of NSSA for the USD 10 million facility. NSSA is yet to execute its judgement and has allowed the Group to focus on alternative ways of restructuring the balance sheet , including the NSSA debt. The Group has convened a transactional working party to advise on proposals to restructure the balance sheet . The proposals to restructure the debt will be tabled before shareholders at an EGM to be held during the year 2017.

Short term loans

These are bankers' acceptances and short term borrowings with various financial institutions. Interest on bankers' acceptances range between 12% and 15% per annum. The short-term loans are secured by a notarial general covering bond over the Group's movable assets.

		2016 USD	2015 USD
12	**DEFERRED TAX**		
12.1	**Deferred tax assets**		
	Assessed losses	(4 610 081)	(3 769 417)
	Deferred tax liabilities		
	Accelerated wear and tear	3 814 943	3 653 956
	Net deferred tax position as at 31 December 2016	**(795 138)**	**(115 461)**
12.2	**Reconciliation**		
	Balance at the beginning of year	(115 461)	1 010 367
	Temporary differences on property and equipment	160 986	(428 958)
	Originating differences on assessed losses	(840 663)	(696 870)
	Deferred tax asset	**(795 138)**	**(115 461)**

		2016 USD	2015 USD
13	**ACCOUNTS PAYABLE**		
	Trade	14 311 473	11 394 413
	Other	2 667 954	1 951 724
		16 979 427	**13 346 137**
14	**REVENUE**		
	Rooms revenue	11 636 501	12 840 410
	Food, beverages and conferencing	12 411 029	14 047 595
	Other operating activities	89 214	45 473
		24 136 744	**26 933 478**

Revenue represents amounts invoiced for sales, less value added tax as appropriate.

		2016 USD	2015 USD
15	**OTHER OPERATING INCOME**		
	Income from disposal of Hathanay Investments	-	240 000
	Export incentive	65 021	-
	Rental income	549 659	700 555
	Sundry income	31 256	21 193
		645 936	**961 748**

During the year, the Group changed its accounting policy with regards to the classification of rental income. In accordance with International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the financial reports has therefore been prepared on the basis of a retrospective application of a voluntary change in accounting policy. The previous accounting policy was to classify rental income as revenue. The new accounting policy was adopted on 31 December 2016 and has been applied retrospectively including full year 2015 audited financial statements. The change in classification of rental income will not change the overall reported performance of the Group.

		2016 USD	2015 USD
16	**NET FINANCE COSTS**		
	Finance income	68 028	84 741
	Finance costs	(1 936 149)	(1 899 116)
		(1 868 121)	**(1 814 375)**
17	**LOSS BEFORE TAX**		
	Loss before tax is arrived at after taking into account the following:		
	Expenses		
	Staff costs	10 669 488	11 738 685
	Audit fees	81 971	113 457
	Depreciation and amortisation	2 351 983	2 154 670
	Directors' emoluments:		
	For services as Directors	82 371	68 550
	For managerial services	1 453 962	1 594 584
	Operating lease expenses	1 282 432	1 715 009
	Exchange gain/(loss)	15 100	(369 942)
	Loss on disposal of equipment	(1 375)	(12 490)

		2016 USD	2015 USD
18	**INCOME TAX CREDIT**		
	Current	-	-
	Deferred	679 722	1 108 386
		679 722	**1 108 386**
	Tax rate reconciliation		
	Accounting loss	(3 907 556)	(1 134 531)
	Tax at 25.75%	(1 006 196)	(292 142)
	Non-deductable differences	1 685 918	1 400 528
		679 722	**1 108 386**
19	**EARNINGS PER SHARE**		
19.1	**Basic loss per share (continuing operations)**		
	Numerator		
	(Loss)/profit for the year used in basic EPS	(3 113 729)	781 308
	Denominator	**'000s**	**'000s**
	Weighted average number of shares used in basic EPS	1 870 496	1 870 496
	Basic loss per share (US cents)	(0.167)	0.042
19.2	**Basic loss per share (discontinued operations)**		
	Numerator		
	Loss for the year used in basic EPS	(1 572 640)	(807 453)
	Denominator	**'000s**	**'000s**
	Weighted average number of shares used in basic EPS	1 870 496	1 870 496
	Basic loss per share (US cents)	(0.084)	(0.043)
19.3	**Headline loss per share (continuing operations)**		
	Numerator		
	(Loss)/profit for the year	(3 113 729)	781 308
	Loss on sale of assets	1 375	-
		(3 112 354)	**781 308**
	Denominator	**'000s**	**'000s**
	Weighted average number of shares used in basic EPS	1 870 496	1 870 496
	Headline loss per share (US cents)	(0.166)	0.042

		2016 USD	2015 USD
19	**EARNINGS PER SHARE (continued)**		
19.4	**Headline loss per share (discontinued operations)**		
	Numerator		
	Loss for the year	(1 572 640)	(807 453)
		(1 571 265)	**(807 453)**
	Denominator	**'000s**	**'000s**
	Weighted average number of shares used in basic EPS	1 870 496	1 870 496
	Headline loss per share (US cents)	(0.084)	(0.043)
20	**CASH FLOW INFORMATION**		
	Cash generated from operating activities		
	(Loss)/profit for the year	(3 113 729)	781 308
	Adjusted for:		
	Depreciation of property and equipment and amortisation	2 326 180	2 180 476
	Impairment of debtors	522 098	-
	Recovery of bad debts	-	(21 202)
	Other income	(645 936)	(261 193)
	Loss on disposal of property plant and equipment	1 375	12 490
	Finance costs	1 936 149	1 899 116
	Income tax credit	(679 722)	(1 108 386)
	Fair value gain on other financial assets	-	(271)
	Finance income	(68 029)	(84 741)
	Operating profit before working capital changes	**278 386**	**3 397 597**
	Decrease/(increase) in inventories	377 592	(46 755)
	Decrease/(increase) in accounts receivables	456 407	(60 702)
	Increase in accounts payables	3 633 290	3 326 731
		4 745 675	**6 616 871**

21 RELATED PARTY INFORMATION

Volume of transactions with related parties
The aggregate amount brought to account in respect of the following types of transactions and each class of related party involved were:

		2016 USD	2015 USD
21.1	NSSA NPS interest repayments	635 050	1 701 100
	This relates to interest payments to NSSA on the USD 13.6 million loan.		
21.2	Compensation to key management		
	Short term benefits	1 453 962	1 594 584

		2016 USD	2015 USD
21.3	Non - Executive Directors		
	Fees	82 371	68 550

The non - executive directors do not receive pension entitlements from the Group.

		2016 USD	2015 USD
21.4	Loans to key management		
	Loans	202 103	229 642

The loans include motor vehicle and personal loans. The loans attract interest which ranges between 6% and 9% per annum.

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the Group. They include the Chief Executive, Finance Director and other senior management of the Group.

21.5 Group structure

The Group comprises the following companies: (Only RTG Zimbabwe is operating and the rest are dormant companies).

Name	Business	Location
Rainbow Tourism Group (Zambia) Limited (non-operational)	Hotelier	Zambia
Rainbow Tourism Group Limited	Hotelier	Zimbabwe
Rainbow Hotel Mozambique Lda	Hotelier	Mozambique
Rainbow Tourism Group (Proprietary) Limited (non-operational)	Hotelier	South Africa

22 COMMITMENTS

22.1 Lease commitments

(a) Operating lease terms

The Group maintains a portfolio of leased properties in Zimbabwe under fixed operating lease agreements and two leased properties under variable operating lease agreements. The terms are 10 years for the property under fixed terms and 25 years for properties under variable terms. All the lease agreements are renewable at the end of the lease period for a further period agreed by both parties at market rates. The lease agreements do not impose any restrictions. Future minimum lease payments for variable agreements are based on the current contingent rent as at the reporting date.

(b) The total future value of minimum lease payments is due as follows:

Period	Type	2016 USD	2015 USD
Not later than one year	- fixed	240 000	480 000
	- variable	1 173 274	1 235 009
Later than one year and not later than five years	- fixed	1 200 000	1 920 000
	- variable	5 866 370	4 940 035
Later than five years	- fixed	1 800 000	2 160 000
	- variable	23 465 480	23 465 168
Total operating lease commitments		**33 745 124**	**34 200 212**

	2016 USD	2015 USD
23 Capital expenditure commitments		
Contracted	1 385 000	2 300 000
Authorized but not contracted	1 500 000	2 700 353
	2 885 000	**5 000 353**

The contracted USD 1 385 000 capital expenditure relates to Rainbow Towers Hotel, Kadoma Hotel and Victoria Falls Rainbow Hotel refurbishments to be funded through internally generated resources. All projects will be carried out subject to availability of funds.

24 RETIREMENT BENEFITS

25.1 Catering Industry Pension Fund (NEC) - Zimbabwe

This is a defined contribution scheme which covers employees in specified occupations of the catering industry. The majority of employees in the Rainbow Tourism Group are members of this Fund.

	2016 USD	2015 USD
Contribution for the year	76 108	109 206

25.2 National Social Security Authority Scheme (NSSA) - Zimbabwe

This is a defined contribution scheme legislated under the National Social Security Act (1989). The Group's obligations are limited to specific contributions as legislated from time to time, and are currently 3% of pensionable earnings limited to USD 200 per month per employee.

	2016 USD	2015 USD
Contribution for the year	107 212	186 989

25.3 Instituto Nacional Seguransa Social (INSS) - Mozambique

This is a defined contribution scheme which was promulgated under the Mozambican Labour Act. Contributions by both the company and employees amount to 4% and 3% of basic salary respectively for all employees.

	2016 USD	2015 USD
Contributions for the year	-	6 467

25.4 MINERVA PENSION-Non-NEC-Zimbabwe

This is a defined contribution scheme which covers supervisory and managerial employees. Contributions by both the company and employees amount to 10% and 5% of basic salary respectively for all employees until 31 July 2015. The employer's contribution has been revised down to 6.5% effective 1 August 2015.

	2016 USD	2015 USD
Contributions for the year	265 351	407 567

25 FINANCIAL RISK MANAGEMENT

The main risks facing the Group are treasury risk, credit risk, liquidity, exchange rate and cash flow risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous periods unless otherwise stated in this note.

25 FINANCIAL RISK MANAGEMENT (continued)

Principal financial instruments
The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

a) Accounts receivable;
b) Cash at bank;
c) Borrowings; and
d) Accounts payable.

General objectives, policies and processes
The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

25.1 Treasury risk
The Audit and Finance Committee, made up of executive and non-executive directors, meets regularly to consider and analyse, among other issues, currency and interest rate exposures and to re-evaluate treasury risk management strategies against prevailing economic forecasts. Compliance with Group policies and exposure limits is reviewed at regular board meetings.

25.2 Liquidity risk
The Group has a borrowing capacity of USD 24 742 494 of which 70% was unutilised as at 31 December 2016. This together with cash generated from operations is adequate to enable the Group to meet its day-to day expenses and service charges as they fall due.

25.3 Credit risk
Financial assets which potentially subject the Group to concentrations of credit risk consist mainly of trade receivables, bank balances and cash. The Group's receivables are presented net of provision for doubtful debts where this is considered necessary. Credit risk in respect of trade debtors is limited because of the nature of the major receivables, i.e., local private companies and Government departments which although they take time, eventually make payments.

25.4 Interest rate risk
The Group's exposure to interest rate fluctuations is limited to the overdraft amount. Interest rates on the existing loans are contractual.

25.5 Exchange risk
The Group is exposed to foreign currency fluctuations as it accrues foreign currency-denominated liabilities in its business activities. It is exposed to such foreign currency fluctuations to the extent that such liabilities are not matched by foreign currency receipts from operations.

A summary of the financial instruments held by category is provided below:

Financial assets	Fair value through profit or loss 2016 USD	Loans and receivables 2016 USD	Held to maturity 2016 USD
Bank and cash balances	(232 689)	(232 689)	-
Trade and other receivables	5 728 233	5 728 233	-
Quoted shares and treasury bills	14 638	-	-
	5 510 182	**5 495 544**	**-**

25 FINANCIAL RISK MANAGEMENT (continued)

Financial liabilities	Fair value through profit or loss 2016 USD	Fair value through profit or loss 2015 USD	Amortised cost 2016 USD	Amortised cost 2015 USD
Trade and other payables	-	-	16 979 427	13 346 137
Borrowings	-	-	16 493 240	18 245 287
Bank overdrafts	-	-	809 477	1 106 735
	-	**-**	**34 282 144**	**32 698 159**

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial assets which potentially subject the Group to concentrations of credit risk consist primarily of cash and trade receivables. The Group's cash and cash equivalents are placed with high quality financial institutions. The credit risk with respect to trade receivables is limited as a result of the spread of balances owing to various customers who are in different sectors of the economy.

Financial assets	Carrying value 2016 USD	Carrying value 2015 USD	Maximum exposure 2016 USD	Maximum exposure 2015 USD
Bank and cash balances	(232 689)	(588 141)	(232 689)	(588 141)
Trade and other receivables	5 728 233	6 184 640	5 728 233	6 184 640
Quoted shares and treasury bills	14 638	14 638	14 638	14 638
	5 510 182	**5 611 137**	**5 510 182**	**5 611 137**

Financial instruments measured at fair value

	Level 1		Level 2		Level 3	
	2016 USD	2015 USD	2016 USD	2015 USD	2016 USD	2015 USD
Equity investments	670	670	-	-	-	-

Liquidity risk

This is the risk of insufficient liquid funds being available to cover commitments. In order to mitigate any liquidity risk that the Group faces, the Group's policy has been throughout the year ended 31 December 2016, to maintain substantial unutilised facilities.

	Up to 3 months 2016 USD	Between 3 and 12 months 2016 USD	Between 12 and 24 months 2016 USD	Over 2 years 2016 USD	Total 2016 USD
Trade and other payables	6 458 846	2 760 958	2 156 152	5 603 471	16 979 427
Borrowings	10 089 899	1 030 233	1 373 644	3 999 464	16 493 240
Bank overdrafts	809 477	-	-	-	809 477
	17 358 222	**3 791 191**	**3 529 796**	**9 602 935**	**34 282 144**

25 FINANCIAL RISK MANAGEMENT (continued)

	Up to 3 months 2015 USD	Between 3 and 12 months 2015 USD	Between 12 and 24 months 2015 USD	Over 2 years 2015 USD	Total 2015 USD
Trade and other payables	6 458 846	2 760 958	2 156 152	1 970 180	13 346 136
Borrowings	11 841 946	1 030 233	1 373 644	3 999 464	18 245 287
Bank overdrafts	1 106 735	-	-	-	1 106 735
	19 407 527	**3 791 191**	**3 529 796**	**5 969 644**	**32 698 158**

26 MANAGEMENT OF CAPITAL

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

No changes were made in the objectives, policies or processes during the year ended 31 December 2016.

The Group monitors its capital ratio using a gearing ratio which is net debt divided by total capital plus net debt. The Group includes within its net debts, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations; capital includes equity attributable to the equity holders of the parent.

	2016 USD	2015 USD
Trade and other payables	16 979 427	13 346 137
Borrowings	16 493 240	18 245 287
Less: cash and cash equivalents	232 689	588 141
Net debt	**33 705 356**	**32 179 565**
Total equity	12 371 248	17 077 518
Capital and net debt	**46 076 604**	**49 257 082**
Adjusted gearing ratio	73%	65%

27 Discontinued operations

During the year the Board resolved to exit from the Beitbridge and Mozambique operations. The Group terminated the lease on Rainbow Beitbridge Hotel (RBBH) effective 31 May 2016 and Hotel Mozambique effective 30 September 2016. The Group exited RBBH due to depressed occupancies, low margins as well as high operating costs. The Group's discontinuance of Rainbow Hotel Mozambique operations was due to a depressed market caused by political instability in the northern part of Mozambique as well as sustained exchange control losses.

Loss from discontinued operations can be analysed as follows:

	2016 USD	2015 USD
Revenues	1 040 298	2 955 011
Cost of sales	(451 719)	(1 050 733)
Gross profit	**588 578**	**1 904 278**
Operating expenses	(832 013)	(1 981 489)
Earning before interest, tax, depreciation and amortisation	**(243 435)**	**(77 211)**
Depreciation	(171 315)	(365 121)
Impairment of property and equipment	(1 030 479)	-
Loss from operations	**(1 445 229)**	**(442 332)**
Finance costs	(127 411)	(365 121)
Loss before tax	**(1 572 640)**	**(807 453)**
Income tax	-	(3 159)
Loss from discontinued operations	**(1 572 640)**	**(810 612)**
Loss per share	(0.084)	(0.043)
The operating loss from discontinued operations can be further analysed as follows:		
Operating loss from Rainbow Beitbridge Hotel	(996 953)	(705 386)
Operating loss from Rainbow Hotel Mozambique	(575 687)	(105 226)
	(1 572 640)	(810 612)
Impairment of property and equipment		
Impairment of property and equipment on Rainbow Hotel Mozambique	(398 230)	-
Impairment of property and equipment on Rainbow Beitbridge Hotel	(632 249)	-
	(1 030 479)	-
Net cash used in discontinued operations		
Net cash used in operating activities	(452 602)	(471 298)
Net cash used in investing activities	(6 528)	(405 620)
	(459 130)	(876 918)

28 NEGATIVE WORKING CAPITAL

The Group incurred a loss of **USD 4 686 369** for the year ended 31 December 2016 (2015: **USD 29 304**). As at the same date, the Group's current liabilities exceeded its current assets by **USD 25 600 261** (2015: **USD 9 600 122**).

The Board mandated the formation of a working party whose purpose was the restructuring of the Group's balance sheet. The working party committee engaged RTG's major shareholders with capital raising proposals meant to address the negative working capital gap. The options are still under the consideration of the major shareholders with the most viable option to be presented for voting at an Extraordinary General Meeting (EGM). The Board is of the view that as a result of the progress of the ongoing deliberations, there is a reasonable expectation that the restructuring of the Group's balance sheet will be successful.

The operating cash flows for 2017 will be channelled towards repaying foreign loans (Afreximbank and PTA bank loans) amounting to **USD 1 213 579 (note 11.1)** and servicing short term loans with banks in line with the loan covenants.

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 operational existence for the foreseeable future. The going concern basis has therefore been adopted in preparing the consolidated financial statements.

29 POST-REPORTING DATE EVENTS

No adjusting events have occurred between the 31 December reporting date and the date of authorisation.

30 DELAY ON PUBLICATION OF FINANCIAL RESULTS

The Board resolved to seek an extension on publication of the Group's 2016 financial results. The extension was approved by the Zimbabwe Stock Exchange on 29 March 2017 in terms of the listing rules. The Group is currently engaged in negotiations pertaining to a material transaction whose outcome has a fundamental impact on the Group's financial position. The Board was of the view that publication of the financial statements before significant progress on the transaction would not present a fair financial position of the Group.

31 APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 27 April 2017.

TOP 20 SHAREHOLDERS
as at 31 December 2016

	SHAREHOLDER	SHARES	%
1	NATIONAL SOCIAL SECURITY AUTHORITY	676 030 398	36.14
2	HAMILTON & HAMILTON TRUSTEES LTD	526 026 820	28.12
3	STANBIC NOMINEES 140043880001	135 522 939	7.25
4	MINISTRY OF ENVIRONMENT AND TOURISM	83,402,508	4.46
5	STANBIC NOMINEES 140043880002	80 578 490	4.31
6	STANBIC NOMINEES 140043880011	74 580 105	3.99
7	LAAICO – FCA NON-RES	60 000 000	3.21
8	STANBIC NOMINEES 140043880010	42 746 463	2.29
9	STANBIC NOMINEES 140043880009	39 859 180	2.13
10	HAMILTON NICHOLAS RHODES - NNR	20 071 231	1.07
11	PINNACLE INVESTMENTS (PRIVATE) LIMITED	15 521 167	0.83
12	HAMILTON MAXIMILIAN RHET	13 996 703	0.75
13	HAMILTON ALEXANDER SETHI	10 000 000	0.53
14	HAMILTON ORRIE LINCOLN	10 000 000	0.53
15	HAMILTON RICHMOND LOUIS	10 000 000	0.53
16	EUGENIE BRITANIA HAMILTON	9 990 000	0.53
17	MESSINA INVESTMENTS	2 837 408	0.15
18	WORKERS COMPENSATION INVESTMENT FUND	2 728 169	0.15
19	OLD MUTUAL LIFE ASSURANCE CO ZIM LTD	2 535 750	0.14
20	MANO EVELYN	1 942 625	0.10
	TOP 20 SHAREHOLDERS	**1 818 369 956**	**97.21**
	OTHER SHAREHOLDERS	**52 308 310**	**2.79**
	TOTAL SHARES IN ISSUE	**1 870 495 543**	**100**

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