AFRICAN SUN
LIMITED

Unaudited Condensed Financial Statements
for the half year ended 30 June 2017

FINANCIAL HIGHLIGHTS

Revenue: US$21.01 million
▲ 17%

Finance costs: US$0.49 million
▼ 34%

EBITDA: US$1.40 million
▲ 1 173%

Profit after tax: US$0.19 million
▲ 134%

Operating profit: US$0.51 million
▲ 203%

Occupancy: 45%
▲ 8 percentage points

ADR: US$89
▼ 5%

RevPAR: US$40
▲ 14%

MESSAGE FROM THE CHAIRMAN

INTRODUCTION

I am pleased to present the interim results of the Group for the six months period ended 30 June 2017.

The Group's performance continues to be on an upward trajectory, registering a marginal profit for the period of US$0.19 million from a loss of US$0.56 million reported for the same period last year.

The macro economic environment in Zimbabwe remained depressed on the back of low liquidity and foreign currency shortages resulting in increased costs and pressure on margins. The continued strength of the United States of America dollar against regional currencies subdued arrivals, especially from South Africa, our key regional source market. Global tourism registered a significant growth spurring arrivals from traditional source markets, mainly Europe and Asia, with a notable recovery from the Unites States of America.

FINANCIAL REVIEW

The Group's revenue grew by 17% to close at US$21.01 million, up from US$17.99 million achieved in the comparable period last year. The revenue growth is attributable to an 8 percentage points increase in occupancy, from 37% reported last year to 45%. Occupancy growth was supported by a strong performance from all our markets, with local, international and regional rooms sold increasing by 21%, 33% and 2% respectively. This increase in occupancy was achieved at the back of a tactical 5% drop in average daily rate ("ADR") targeted at stimulating the domestic market. As a result, revenue per available room ("RevPAR") increased by 14% to US$40 from US$35 achieved last year.

The improved cost efficiencies increased our earnings position, posting an operating profit of US$0.51 million from a loss of US$0.49 million reported last year. Loan repayments and negotiated terms on the existing facilities drove finance costs down by a notable 34% from US$0.74 million to US$0.49 million.

The Group posted a profit of US$0.19 million from a loss position of US$0.56 million reported in the same period last year. This turnaround is mainly attributable to the growth in revenue and cost management initiatives being implemented by the Group.

OUTLOOK

The remaining second half of the year falls into our peak trading season. We expect conferencing and international market business to bolster performance, particularly in our Victoria Falls properties, where inward foreign arrivals have been on an increase. The expansion of the Victoria Falls airport has increased potential arrivals to the destination by 40%. This increase will improve room nights for our hotels during our peak trading season and beyond. In anticipation of this growth, we have undertaken soft refurbishments at a number of our hotels. In addition, the Group has successfully rebranded Amber Hotel Mutare to Holiday Inn Mutare from 1 July 2017 and this is expected to improve foreign arrivals to the hotel. Management will continuously focus on revenue generation and cost reduction initiatives to navigate the current challenging business environment.

DIRECTORATE AND MANAGEMENT CHANGES

There were no changes to the Directorate and Management since the last announcement.

INTERIM DIVIDEND

In an effort to improve the equity position and retain cash, the Board has resolved not to declare an interim dividend for the six months ended 30 June 2017.

APPRECIATION

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

H Nkala
Chairman

4 August 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All figures in US$	Note	As at 30 June 2017 Unaudited	As at 31 December 2016 Audited
Assets			
Non-current assets			
Property and equipment		20,886,916	21,270,729
Biological assets		165,137	165,137
Trade and other receivables		221,703	178,893
		21,273,756	**21,614,759**
Current assets			
Inventories		1,440,628	1,453,628
Trade and other receivables		6,466,688	5,663,267
Cash and bank balances		3,351,774	4,885,160
		11,259,090	12,002,055
Total assets		**32,532,846**	**33,616,814**
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		8,617,716	8,617,716
Share premium		25,123,685	25,123,685
Foreign currency translation reserve		(3,488,783)	(3,500,446)
Accumulated losses		(23,389,918)	(23,581,158)
Total equity		**6,862,700**	**6,659,797**
Liabilities			
Non-current liabilities			
Trade and other payables		1,430,148	1,730,148
Borrowings	5	3,841,798	3,013,848
Deferred tax liabilities		3,451,519	3,617,873
		8,723,465	**8,361,869**
Current liabilities			
Trade and other payables		11,133,176	11,293,143
Provisions for other liabilities		2,344,646	2,046,313
Borrowings	5	3,468,859	5,255,692
		16,946,681	**18,595,148**
Total liabilities		**25,670,146**	**26,957,017**
Total equity and liabilities		**32,532,846**	**33,616,814**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All figures in US$	Notes	Half year ended 30 June 2017 Unaudited	Half year ended 30 June 2016 Unaudited
Continuing operations			
Revenue	6	21,012,102	17,987,889
Cost of sales		(6,700,874)	(5,932,066)
Gross profit		**14,311,228**	**12,055,823**
Other income		564,037	1,000,156
Operating expenses		(14,322,774)	(13,353,461)
Other expenses		(40,358)	(197,391)
Operating profit / (loss)		**512,133**	**(494,873)**
Finance income		1,466	2,256
Finance costs		(488,713)	(743,657)
Profit / (loss) before income tax	6	**24,886**	**(1,236,274)**
Income tax credit		166,354	840,020
Profit / (loss) from continuing operations		191,240	(396,254)
Loss from discontinued operations		-	(160,986)
Profit / (loss) for the period		**191,240**	**(557,240)**
Other comprehensive income / (loss)-net of tax:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		11,663	167,830
Exchange differences on translation of discontinued operations		-	(35,870)
Total other comprehensive income		**11,663**	**131,960**
Total comprehensive income / (loss) for the period		**202,903**	**(425,280)**
Total comprehensive income / (loss) for the period attributable to owners of the parent arises from:			
Continuing operations		202,903	(228,424)
Discontinued operations		-	(196,856)
		202,903	**(425,280)**
Earnings / (loss) per share attributable to:			
Owners of the parent during the period:			
US cents			
Basic and diluted earnings / (loss)			
From continuing operations		0.02	(0.05)
From discontinued operations		-	(0.02)
Earnings / (loss) for the period		**0.02**	**(0.07)**
Headline earning / (loss) per share		**0.02**	**(0.09)**

CONSOLIDATED STATEMENT OF CASH FLOWS

All figures in US$	Half year ended 30 June 2017 Unaudited	Half year ended 30 June 2016 Unaudited
Cash flows from operating activities		
Cash generated / (used in) from operations	601,226	(322,602)
Interest received	1,466	2,256
Interest paid	(488,713)	(743,657)
Net cash generated from / (used in) operating activities	**113,979**	**(1,064,003)**
Cash flows from investing activities		
Purchase of property and equipment	(1,065,142)	(863,928)
Proceeds from sale of property and equipment	368,367	702,718
Net cash used in investing activities	**(696,775)**	**(161,210)**
Cash flows from financing activities		
Proceeds from borrowings	2,460,326	1,992,353
Deposit utilised from debt service reserve account	-	104,602
Repayment of borrowings	(3,419,209)	(1,938,119)
Cash (used in) / generated from financing activities	**(958,883)**	**158,836**
Net decrease in cash and cash equivalents	**(1,541,679)**	**(1,066,377)**
Cash and cash equivalents at beginning of the period	4,885,160	2,462,754
Exchange gain on cash and cash equivalents	8,293	5,457
Cash and cash equivalents at end of the period	**3,351,774**	**1,401,834**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All figures in US$	Share capital	Share premium	Non-distributable reserves	Foreign currency translation reserve	Accumulated losses	Total equity
Year ended 31 December 2016						
Balance as at 1 January 2016	8,617,716	25,123,685	1,273,921	(2,889,372)	(29,661,789)	**2,464,161**
Profit for the year	-	-	-	-	4,806,710	**4,806,710**
Other comprehensive loss:						
Recycled to accumulated losses			(1,273,921)		1,273,921	**-**
Currency translation differences	-	-	-	144,577	-	**144,577**
Reclassified to profit or loss	-	-	-	(755,651)	-	**(755,651)**
Total comprehensive income for the year	-	-	(1,273,921)	(611,074)	6,080,631	**4,195,636**
Balance as at 31 December 2016	**8,617,716**	**25,123,685**	**-**	**(3,500,446)**	**(23,581,158)**	**6,659,797**
Six months ended 30 June 2017						
Balance as at 1 January 2017	8,617,716	25,123,685	-	(3,500,446)	(23,581,158)	**6,659,797**
Profit for the period	-	-	-	-	191,240	**191,240**
Other comprehensive income:						
Currency translation differences	-	-	-	11,663	-	**11,663**
Total comprehensive income for the period	-	-	-	11,663	191,240	**202,903**
Balance as at 30 June 2017	**8,617,716**	**25,123,685**	**-**	**(3,488,783)**	**(23,389,918)**	**6,862,700**

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

AFRICAN SUN LIMITED

Unaudited Condensed Financial Statements

for the half year ended 30 June 2017

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 REPORTING ENTITY

African Sun Limited ("the Company") and its subsidiaries (together, "the Group") leases and operates eleven hotels in Zimbabwe and operates an office in South Africa which focuses on sales, marketing and reservations for the international and regional market.

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

The parent of the Company is Brainworks Capital Management (Private) Limited, which owns 57.72% (2016: 57.64%) of the ordinary share capital of the Company.
The Company's registered address is Monomotapa Hotel, Number 54 Park Lane Road, Harare, Zimbabwe.

These condensed interim financial statements were approved by the Directors on 4 August 2017.

2 BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" and do not include all the notes normally included in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

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

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year. Taxes on income in the interim periods are accounted using the tax rate that would be applicable to the expected total annual profit or loss.
There are no new or amended IFRSs or International Financial Reporting Interpretations ("IFRICs") that are effective for the first time in this interim period that have a material effect on the Group. Management continuously assesses the impact of the new standards on the financial statements.

4 GOING CONCERN

The Group recorded a profit for the period of US$0.19 million, a positive turn around from the loss of US$0.56 million recorded in the comparable half year ended 30 June 2016. The performance was commendable given that the first six months are historically our trough trading period. Management and the Board remain committed to ensuring sustainable profits going forward with emphasis on growing RevPAR and reducing costs.

The refinancing of short-term borrowings and improved cash generation has reduced the Group's negative working capital position to US$5.69 million from US$6.93 million reported as at 31 December 2016.

The gap will be further reduced in the second half as we forecast strong performance during our peak trading season. To ensure profitability and further reduction in the working capital gap, the Group will continue to work on the following initiatives;

- grow the domestic market and sustain the high yield foreign market;
- continue soft refurbishments at all our hotels to give our guests the best experience;
- continuous business processes improvement to reduce costs to match revenue generation levels; and
- continue to engage our bankers to restructure our borrowings to obtain the right pricing and achieve a good balance between short-term and long-term loans.

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

5 BORROWINGS

All figures in US$	As at 30 June 2017 Unaudited	As at 31 December 2016 Audited
Non-current:		
Local loans	3,841,798	3,013,848
Current:		
Foreign loans	-	516,146
Local loans	3,468,859	4,735,780
Finance lease liability	-	3,766
Total current	3,468,859	5,255,692
Total borrowings	**7,310,657**	**8,269,540**

Borrowings bear an average interest rate of 10.37% annually (2016: 10.19%)

Borrowings amounting to US$6.13 million are secured by;

- cession of debtors and notorial covering bond on moveable assets;
- deed of pledge of funds in foreign currency accounts;
- unlimited guarantee by African Sun Limited; and
- deed of pledge on immoveable property.

Borrowings amounting to US$1.18 million are unsecured.

6 SEGMENT ANALYSIS

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

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

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

(a) Hotels under management

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

(b) African Sun managed operations

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

(i) Hotels under franchise (Holiday Inn): These are hotels under the InterContinental Hotels Group ("IHG") Holiday Inn brand, and comprise Holiday Inn Harare, Holiday Inn Bulawayo and Holiday Inn Mutare.
(ii) Hotels operating under stand alone brands, comprising Great Zimbabwe Hotel and Carribbea Bay Resort.
(iii) Hotel operating under a partnership, which is The Victoria Falls Hotel jointly operated with Meikles Hospitality (Private) Limited, and is an affiliate of the Leading Hotels of the World ("LHW").
(iv) Other complementary operations, that comprise Central office, Sun Casinos, and the Branch in South Africa.

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

All figures in US$	Half year ended 30 June 2017 Unaudited	Half year ended 30 June 2016 Unaudited
Revenue		
Hotels under management	9,602,719	7,913,865
African Sun managed operations	13,072,056	11,301,766
-Hotels under franchise	6,612,783	6,266,563
-Hotels under stand alone brands	1,530,849	1,141,341
-Partnership	3,213,749	2,557,048
-Other complementary operations	1,714,675	1,336,814
Intersegment transactions	(1,662,673)	(1,227,742)
	21,012,102	**17,987,889**
Gross profit		
Hotels under management	6,246,239	4,848,570
African Sun managed operations	8,064,989	7,207,253
-Hotels under franchise	4,510,169	4,428,744
-Hotels under stand alone brands	1,047,323	796,346
-Partnership	2,463,948	1,886,543
-Other complementary operations	43,549	95,620
	14,311,228	**12,055,823**
Earnings / (loss) before interest, tax, depreciation and amortisation ("EBITDA")		
Hotels under management	(878,599)	(1,503,188)
African Sun managed operations	2,273,841	1,612,426
-Hotels under franchise	704,610	701,157
-Hotels under stand alone brands	83,719	(82,040)
-Partnership	1,207,318	738,044
-Other complementary operations	278,194	255,265
	1,395,242	**109,238**
Profit / (loss) before income tax		
Hotels under management	(1,238,350)	(2,160,997)
African Sun managed operations	1,263,236	924,723
-Hotels under franchise	341,251	202,469
-Hotels under stand alone brands	22,398	(141,350)
-Partnership	1,252,601	574,301
-Other complementary operations	(353,014)	289,303
	24,886	**(1,236,274)**

6 SEGMENT ANALYSIS (CONTINUED)

All figures in US$	As at 30 June 2017 Unaudited	As at 31 December 2016 Audited
Total assets		
Hotels under management	10,958,888	11,313,600
African Sun managed operations	21,573,958	22,303,214
-Hotels under franchise	8,686,159	8,023,320
-Hotels under stand alone brands	1,681,104	1,575,521
-Partnership	3,745,916	4,071,287
-Other complementary operations	7,460,779	8,633,086
	32,532,846	**33,616,814**
Total liabilities		
Hotels under management	5,737,582	5,150,670
African Sun managed operations	19,932,564	21,806,348
-Hotels under franchise	2,406,095	2,465,044
-Hotels under stand alone brands	874,919	859,901
-Partnership	1,686,442	1,980,091
-Other complementary operations	14,965,108	16,501,312
	25,670,146	**26,957,018**

Revenue and profit measures exclude discontinued operations.

7 CAPITAL COMMITMENTS

All figures in US$	As at 30 June 2017 Unaudited	As at 31 December 2016 Audited
Authorised by Directors and contracted for	-	-
Authorised by Directors, but not contracted for	5,197,149	6,262,291
	5,197,149	**6,262,291**

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

8 KEY RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

Operating lease rentals

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

The Group was charged US$1.14 million (2016: US$0.84 million) by Dawn in rentals during the period under review.

(b) Balance arising from transactions with related parties

All figures in US$	As at 30 June 2017 Unaudited	As at 31 December 2016 Audited
Payables to related parties		
Payables to Dawn	624,798	574,561
Receivables from related parties		
Receivables from Dawn	438,646	749,157

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

The receivables from Dawn relates to the amount outstanding from the settlement of timeshare units in 2016.

All balances due to and from related parties do not carry interest, and are unsecured.

9 EVENTS AFTER REPORTING DATE

There were no events or transactions after the reporting date that require specific disclosure in these interim financial statements.

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