RAINBOW TOURISM GROUP LTD

2017 ANNUAL REPORT

Refreshing Hotels, Amazing Experiences

• Refreshing Hotels, Amazing Experiences •

CONTENTS

VISION • MISSION • VALUES

OUR VISION

To be the premier provider of diversified hospitality and tourism services in Zimbabwe by 2022.

OUR MISSION

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

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 Company 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

Rainbow Towers Hotel & Conference Centre Diplomatic Suite

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

FRESH FOOD

FRESH PILLOW

FRESH SMILE

Our service promise is expressed through the above three pillars of freshness.

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 HISTORY

1981 - 1999

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
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
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 privatisation 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 - (contd)

2000 - 2017

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 localised. 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
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
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.

2017
RTG undertakes a balance sheet restructuring exercise to raise $22.5 million by way of a rights issue linked to debentures.

BOARD OF DIRECTORS

Sijabuliso T. Biyam - Chairman (appointed Chairman 22 November 2017)

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 Board of Trustees of a Public Sector Housing Fund.

Mr. Biyam is the former Managing Director of Zimbank and Head of Syfrets Corporate and Merchant Bank. 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.

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) degree from the University of South Africa and a Master of Business Administration degree (with distinction) from Hull University (United Kingdom).

Douglas Hoto - Non-Executive Director

Mr. Hoto is the Group Chief Executive Officer of First Mutual Holdings 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 the Chairman of the Zimbabwe National Statistics Agency (ZIMSTAT), a board member of the Insurance Pension Commission (IPEC), the Chairman of the Actuarial Society of Zimbabwe and a Trustee of the S V Muzenda Foundation. Mr. Hoto is a Fellow of the Faculty of Actuaries of Scotland and holds a Bachelor of Science Honours degree in Mathematics (UZ).

BOARD OF DIRECTORS (contd)

Cynthia D. Malaba - Non-Executive Director (appointed 12 March 2018)

Mrs. Malaba is the Supply Chain Director at Delta Corporation, a blue chip company listed on the Zimbabwe Stock Exchange. She is also the Vice Chairperson of the Culture Fund of Zimbabwe Trust as well as a member of the Business Council of Sustainable Development in Zimbabwe. Before being elevated to her current position, Mrs. Malaba served at Delta in the positions of General Manager Operations, General Manager- Audit and Risk, Audit Manager - Plastics Division as well as Senior Internal Auditor – Retail Division of Delta. Prior to joining Delta, Mrs. Malaba was employed as a Consultant at KPMG Chartered Accountants after having served Articles of Clerkship with Ernst and Young.

Cynthia holds a Bachelor of Accounting degree with the University of Zimbabwe, B Compt (Hons) degree with UNISA and is a Chartered Accountant registered with both Institute of Chartered Accountants Zimbabwe (ICAZ) and the Institute of Chartered Accountants in South Africa (SAICA).

Cynthia completed a Global Leadership Programme with Gordon Institute of Business Studies. She has wide business exposure as she has been exposed to both local, regional and global markets.

Cynthia is married to Bafana and they have four children, 3 daughters and a son.

Simon Masanga - Non Executive Director (appointed 20 February 2018)

Mr. Masanga is a career civil servant who has worked in various ministries in the Zimbabwe Government. He is currently the Principal Director in the Ministry of Labour and Social Welfare responsible for the Departments of Labour Administration, Social Welfare and Disability Affairs. He has recently been appointed the Country's Focal Person in implementing Sustainable Development Goals. Mr. Masanga is also the Government team Leader under the National Joint Negotiating Council which is a forum to discuss conditions of service for civil servants.

Mr. Masanga is a Board Member for the Grain Marketing Board, Member of the Zimbabwe Occupational Health and Safety Council and the Zimbabwe Manpower Development Fund Sub-Committee on public service. He holds several professional qualifications including a Masters in Public Service Management degree, BSc Honours in Political Science and Administration degree and a Diploma in Human Resources Management.

Mr. Masanga has vast experience in corporate governance and strategic leadership. He coordinated corporate governance issues in nine parastatals under the Ministry of Agriculture for more than ten years.

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.

BOARD OF DIRECTORS (contd)

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 & across a number of continents. Charity has a Bachelor of Business Studies degree & 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.

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 is also a member of 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 from 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.

Never Nyemudzo – Non-Executive Director (appointed 12 March 2018)

Mr. Nyemudzo is a Chartered Accountant with over 16 years post-qualification experience at senior managerial levels and as Group Chief Executive Officer of CBZ Holdings Limited, Group Chief Finance Officer at CBZ Holdings Limited, General Manager – Finance and Administration at POSB, Financial Accountant at First Banking Corporation, Principal Bank Examiner at the Reserve Bank of Zimbabwe and as an Articled Clerk at BDO Zimbabwe. Mr. Nyemudzo holds a Masters in Strategic Management and Corporate Governance and is currently a Doctoral Student with Binary University of Malaysia in partnership with the Chinhoyi University of Science and Technology.

He is married to Vimbai and they have five children.

Brian A. Shenje - Non-Executive Director

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

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

Tichaona Hwingwiri
Operations Director

Gilfern Moyo
Human Resources Director

Pride Khumbula
Corporate Communications
& Innovations Manager

Samson Chitsato
Head: Internal Audit & Risk

Fortune Gowera-Makamanzi
Head: Sales (RSA Office)

Mevis Chikava-Guedes
Brand 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

LEGAL PRACTITIONERS:

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

REGISTERED OFFICE:

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

MAIN BANKERS:

CBZ Bank Limited
60 Kwame Nkrumah Avenue
HARARE

FBC Bank Limited
45 Nelson Mandela Avenue
HARARE

AUDITORS:

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

TRANSFER SECRETARIES:

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

Our signature cocktail - The Rainbow Splash

CHAIRMAN'S STATEMENT

HIGHLIGHTS

Revenue
12% from $24.1 million in 2016 to $27 million in 2017. ▲

Foreign business
10% from $8.1 million in 2016 to $8.9 million in 2017. ▲

E-Commerce revenues
44% from $900,000 in 2016 to $1.3 million in 2017. ▲

Occupancy
4% from 55% in 2016 to 57% in 2017. ▲

ADR
3% from $66 in 2016 to $68 in 2017. ▲

RevPAR
8% from $36 in 2016 to $39 in 2017. ▲

EBITDA
907% from $427,000 in 2016 to $4.3 million in 2017. ▲

Interest expense
32 % from $ 1.9 million in 2016 to $1.3 million in 2017. ▼

Profit before tax for the year
from a loss of $3.8 million in 2016 to a profit of $553,000 in 2017. ▲

1. INTRODUCTION

On behalf of the Board of Directors of Rainbow Tourism Group Limited (RTG), I am pleased to present the financial results for the year ended 31 December 2017. Inspite of the challenging operating environment, the Company registered a double digit growth in revenues. The recapitalisation exercise in the latter part of the year was meant to reposition the Company to be the largest player in the hospitality industry.

Having successfully completed all requirements for the recapitalization of the Company, the 2017 performance has rightly positioned the Company for the next phase of value creation and growth.

2. OPERATING ENVIRONMENT

The macroeconomic environment was subdued for the greater part of the year and was characterised by acute cash shortages, foreign currency shortages and commodity price distortions. It is hoped that the new dispensation will usher reforms which will stimulate economic growth.

The Board is committed to continuously invest in the product and such technologies as will deliver an exceptional guest experience in all our operations. To achieve this, we have focused on capacitating employees through local and regional training and development programs. Moreover, the operating environment presented numerous opportunities to enhance revenue generation through heightened use of Information and Communication Technologies (ICTs).

3. PERFORMANCE REVIEW

The Company recorded a pleasing 12% growth in revenue to $27 million from $24.1 million recorded in the previous year. All RTG hotels registered growth in revenues compared to full year 2016 performance. Revenues excluding the two Harare properties grew by 19% to $15.7 million in 2017 from $13.2 million recorded in 2016. Despite subdued rooms revenue, the Harare market recovered significantly from the social media attacks of 2016, achieving a 4% growth compared to its full year 2016 performance. A notable growth was recorded in RTG's Food and Beverage (F&B) revenue streams which grew by 14% from the 2016 performance of $12.4 million.

Foreign revenues continued on an upward trajectory, registering a 10% growth to $8.9 million from $8.1 million recorded in 2016. 50% of the growth ($400,000) was from E-commerce which registered $1.3 million in 2017 up from $0.9 million in 2016. The increase in foreign arrivals into RTG's Victoria Falls Hotels resulted in a 14% growth in revenues from the two hotels compared to 2016. The whole Victoria Falls area experienced an improvement in performance following the opening of the Victoria Falls International Airport in November 2016.

RTG occupancy grew by 4% to 57% from 55% recorded in 2016 driven largely by the Victoria Falls properties. Revenue per Available Room (RevPAR) for 2017 closed on $39. This was 8% above the $36 recorded in 2016. The Group's overall ADR grew by 3% to $68.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) margin for the year closed at 16% ($4.3 million) compared to 2% ($0.4 million) recorded in 2016. The growth in EBITDA was achieved in spite of the adverse price movements, created by speculative pricing of commodities in the market. The 2017 financial year reflects an EBITDA growth of 907%. This was assisted by the growth in revenues and cost reduction measures that were pursued throughout the year. Other operating income grew by 50% to $0.9 million in 2017 from $0.6 million in 2016. The improvement in other operating income was assisted by export incentives received during the year of $240,000.

Initiatives to re-align the Company's cost structure to revenues are yielding tangible results. Operating expenses excluding depreciation and amortisation costs were reduced by 16% to $14.4 million in 2017 from $16.8 million in 2016. Overall, the Company posted a profit before tax of $0.55 million, up from $3.8 million loss recorded in 2016. The resultant profit after tax for the year was $0.1 million. This was a turnaround from the $4.7 million loss recorded in 2016.

Interest bearing loans were reduced by 14% to close on $14.9 million. I am happy to report that loans from Afreximbank ($7.5 million) and PTA Bank ($3.8 million) were finally paid off in full during the year under review.

4. RESTRUCTURING OF THE BALANCE SHEET

At the extraordinary general meeting held on 17 January 2018, shareholders approved a $22.5 million recapitalisation transaction meant to address the Company's negative working capital position. The capital raise was through a debenture-linked rights offer. Following the completion of the transaction, the Company's negative working capital position reduced to $2 million from $24 million as at 31 December 2017.

5. PRODUCT UPGRADES

During the year, RTG invested $1.3 million in upgrading its various hotels. The capital expenditure was funded from internally generated cash flows. In addition to other works, the upgrades were carried out at the Victoria Falls Rainbow Hotel where 50% (46) of the rooms received a complete facelift. Soft refurbishments are being carried out across other hotels in a bid by the Company to continually improve its product offering.

6. CORPORATE SOCIAL INVESTMENT

The Company maintained its thrust on empowering the less fortunate communities so that they become self-sustaining through the partnership with the Community Capacity Building Initiative Centre for Africa. The project was taken to the communities of Magwegwe and Pumula in the Province of Bulawayo in the second half of 2017. Mothers-in-waiting at Insiza Hospital also received training. A deliberate focus was given to home-based HIV Positive community members who benefitted from the nutritional value of the produce and managed to generate income by selling the surplus produce. Nutritional gardens were also established at Kadoma District Hospital, where 40 local community members were trained each week throughout the year.

In line with its focus on upscaling nutrition and providing wholesome healthy food, the Company identified the Vanavevhu multi-dimensional youth focused social enterprise for partnership. This organisation works with some of the most responsible and industrious youths who have triumphed against all adversity, to provide for their families after the loss of their parents. These children are given life skills, vocational, entrepreneurship and job readiness training. Part of the training is the establishment of the innovative roof top garden concept managed by the youths. This concept was adopted by the Victoria Falls Rainbow Hotel to create organic roof top gardens using recycled organic kitchen waste. Produce from the gardens which includes vegetables and culinary herbs are used in food preparation in our hotels.

The Company invested $20,000 in the two projects in 2017.

7. OUR NATURAL ENVIRONMENT

The natural environment remains a vital element of the tourism industry product offering. As a key player in the industry, the Company continued to sponsor the Environmental Reporter of the Year Awards. This is done in partnership with Environment Africa and the annual National Journalism Media Awards (NJAMA) Tourism

Reporter of the Year. This platform brings to the fore issues affecting the environment, whilst at the same time creating awareness on conservation practices that are aimed at changing human behaviour and its impact on the environment.

8. DIVIDEND

In view of the need to address the existing working capital gap, the Board resolved to not declare a dividend.

9. DIRECTORATE

During the course of the year, Mr. John Chikura stepped down from his role as Director and Chairman of the Board. We thank him for his astute leadership over the past three years. He left the Company in a stronger position than when he assumed the chairmanship of the Board.

Ian Chamunorwa Haruperi, Shingirai Norman Chibanguza and Thandiwe Thando Mlobane also resigned from the Board. We wish them the best in their future endeavours.

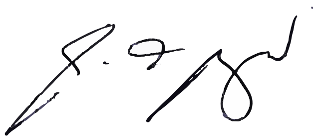
10. OUTLOOK

The policy pronouncements by the new Zimbabwean Government which include re-engagement with the international community and the revised investment policy are anticipated to drive economic growth as well as to lure increased tourist arrivals into the country. With the new dispensation's mantra that "Zimbabwe is now open for business," and having rationalised and recapitalised the Company, RTG is poised for growth by taking advantage of the new opportunities. Many opportunities are unfolding in different segments of the industry including the areas of conferencing, business leisure travel as well as the leisure activities segment. RTG is developing plans to fully capitalise on these opportunities. The increase in activities in Victoria Falls is a welcome development and the Company will pursue expansion into that region. Full exploitation of various ICT platforms are set to contribute significantly to revenue growth as the Company moves to fully exploit the digital space. The launch of the RTG Gateway Mobile Application is set to revolutionise the way business is done on the local tourism landscape.

11. ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank all RTG customers and business partners for their invaluable support. I also extend my gratitude to the Board of Directors for their wise counsel as well as management and staff 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 sustainable value for all stakeholders.



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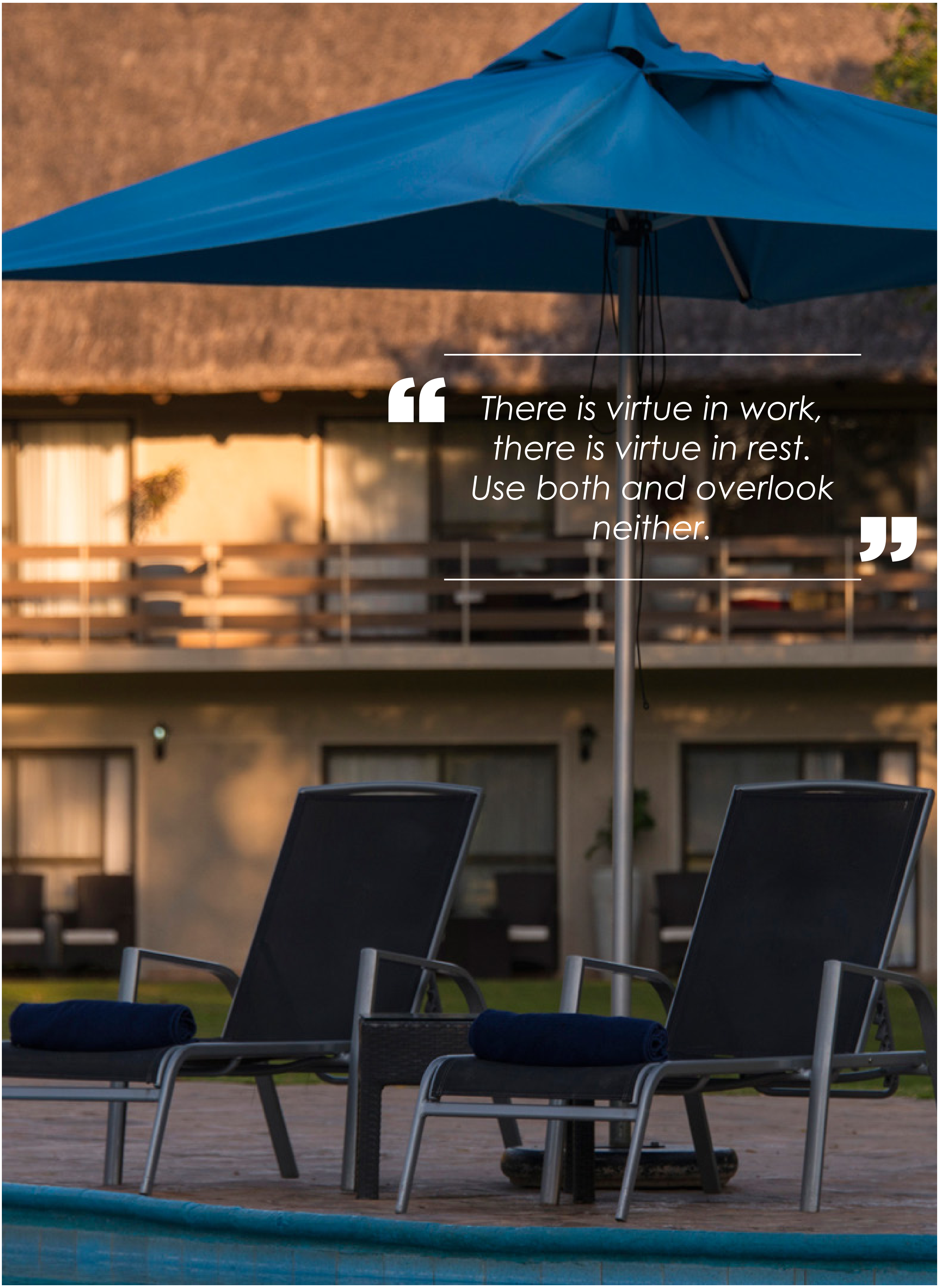
S.T. BIYAM
CHAIRMAN

19 March 2018

Rainbow Towers Hotel & Conference Centre - Towers Lounge



A'Zambezi River Lodge poolside

CHIEF EXECUTIVE OFFICER'S REPORT

> "During the month of March 2018, the Company successfully completed the recapilisation exercise. With a strong financial position, RTG is now embarking on a growth trajectory."

1. INTRODUCTION

Inspite of a challenging operating environment, the 2017 financial year delivered an overall revenue growth of 12%. The increase in revenue was mainly due to the growth in conferencing business across all hotels as well as an upturn in leisure business in the Victoria Falls area. During the month of March 2018, the Company successfully completed the recapilisation exercise. With a strong financial position, RTG is now embarking on a growth trajectory. This exciting phase has been pioneered by the recent launch of an integrated tourism and hospitality services mobile and web application "the RTG Gateway".

1.1 Global Tourism Overview

Year after year, destinations around the world continue to experience growth in tourist arrivals. According to the United Nations World and Tourism Organisation (UNWTO) Barometer, over 1.1 billion tourist arrivals to all destinations around the world were recorded during the period between January and October 2017. This represents a 7% growth (70 million) above the same period in 2016. Europe and Africa recorded the highest growth, each with 8% more international arrivals than in 2016. Africa consolidated its 2016 rebound, reaching 62 million international arrivals. Based on current economic prospects and the outlook by the UNWTO Panel of Experts, international tourist arrivals worldwide are expected to grow at a rate of between 4% to 5% in 2018.

1.2 Local Tourism Overview

Zimbabwe received a total of 2.4 million tourist arrivals in 2017, 9% up from the 2.2 million received in 2016 (Zimbabwe Tourism Authority Q4 report). European, North American and Asian markets contributed significantly to the growth in arrivals during the year. The growth in arrivals resulted in a 12% increase in national tourism receipts from $819 million in 2016 to $917 million in 2017. In the same year, national occupancies increased to 48% from 46% recorded in 2016. Of all the destinations in Zimbabwe, Victoria Falls recorded the highest growth in occupancies of six percentage points from 49% in 2016 to 55% in 2017. Victoria Falls is now emerging as a regional aviation hub following the expansion of its airport in 2016. The destination is now connected directly to major cities in Africa such as Johannesburg, Cape Town, Lusaka, Kigali, Addis Ababa and Nairobi. Going forward and given its centrality, Victoria Falls is positioned to be the main tourist hub for the SADC region. The recent arrival of the first flight of a Boeing 787 Dreamliner at the Victoria Falls airport is an indicator of the growth potential of the destination.

After more than a decade of negative publicity, global political and economic isolation, Zimbabwe is slowly recovering as seen by the general acceptance by the international community of the new political dispensation.

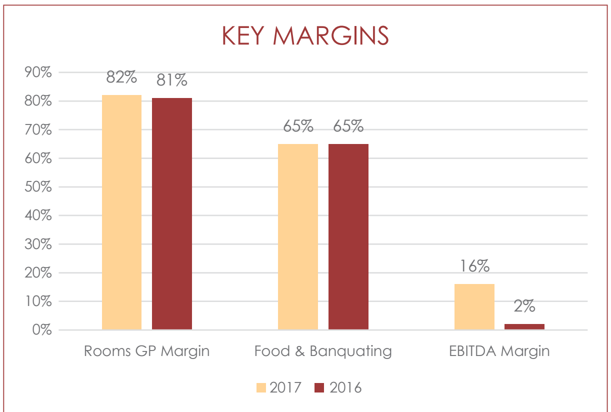
2. FINANCIAL PERFORMANCE REVIEW

2.1 Revenues

Notwithstanding the challenging market conditions in Zimbabwe as a result of inflationary pressures, cash and foreign currency shortages, the Company delivered a solid performance across all hotels. The Company recorded revenues of $27 million during the year under review, 12% ($2.9 million) above prior year. The increase in revenue was mainly buoyed by the growth in business in the Victoria Falls areas. In 2017, the Company's hotels in the to Victoria Falls Rainbow Hotel recorded a 14% revenue growth compared to 2016. The rest of the hotels on the other hand trailed behind with 8% growth in 2017. We are confident of a much improved performance of the city hotels in 2018. A notable 31% growth was experienced at Bulawayo Rainbow Hotel. The Company's occupancies closed on 57%, up from 55% recorded in 2016. The Company's RevPAR for the year closed on $39, an 8% growth compared to $36 recorded in 2016.

2.2 Operating costs

Despite acute price increases in the market, the Company did not pass on the cost increases to customers. Instead, the Company maximised on yield through increased volumes. The Company has made significant progress in areas such as procurement, supplier consolidation and labour scheduling which have helped to grow margins. An underlying EBITDA of $4.3 million, 907% up from $427 000 recorded in 2016 was achieved. Significant savings were achieved by re-modelling the Company's cost structure. Overall overheads for 2017 were reduced by 12% ($2.2 million) compared to the previous year. The table below shows the RTG's margins' performance in 2017.



The Company recorded a profit before tax of $553,000 compared to a loss of $3.8 million recorded in 2016. The Company's after tax profit position closed at $112,000 compared to the prior year loss position of $4.7 million. The Group's earnings per share recovered significantly to 0.6 cents from negative 17 cents in 2016.

2.3 Borrowings and financial position restructuring

The Company's overall borrowing position reduced to $14.9 million (Dec 2016: $17.3 million) representing a reduction of 14%.

The Company has successfully restructured its balance sheet through raising $22.5 million by way of a rights issue linked to secured, non-convertible debentures. At an extraordinary general meeting held on 17 January 2018, shareholders approved the transaction. Following the conclusion of the balance sheet restructuring exercise, all borrowings will be repaid and the only remaining borrowing/long-term liability will be the $16.7 million debentures. Management would like to thank shareholders, the board and members of the transaction Working Party for working tirelessly to ensure the success of this transaction.

3. PRODUCT UPGRADE AND SERVICE DELIVERY

We have targeted to fully refurbish all our hotels over the next 3 years. Currently the focus is on Victoria Falls Rainbow Hotel where one wing consisting 46 rooms was completed in 2017. The second and last phase of the refurbishment consisting of 42 rooms was completed on 15 April 2018. Other than Victoria Falls Rainbow Hotel, Kadoma Hotel and Conference Centre is also receiving a rooms facelift, with 100 rooms having been refurbished in 2017 and the remainder of 47 rooms to be completed in 2018. Having completed the Victoria Falls Rainbow Hotel refurbishment, the focus will be on Bulawayo Rainbow, Rainbow Towers and New Ambassador hotels.

Once again, our guest satisfaction surveys show that our ongoing commitment to consistent, high-level service has been recognised through both our guest satisfaction and service performance scores. The commitment and passion of our team is key in achieving these scores and we are encouraged by the team's dedication to delivering refreshing hotels and amazing guest experiences every time.

4. ROOMS EXPANSION

During the course of 2017, the Company experienced heightened bookings in its Victoria Falls hotels. To that end, management is seized with the need to expand the Group's rooms capacity in that region. Over and above the expansion opportunities in Victoria Falls, the Company is pursuing other expansion opportunities across Zimbabwe where we expect a significant increase in interest from both domestic and international travelers. We are encouraged by the prospects of resumption of self-drives across the country. This development is a sign of the growing confidence of the international community in Zimbabwe. The country will likely experience an increase in the average stay in the country as self drives are typically 14 to 21 days in duration.

5. PROSPECTS

Having successfully overseen the process of restructuring the Company's balance sheet, the key focus for 2018 shall be setting the stage for value creation and growth. Management will pursue various strategic imperatives meant to grow the revenue base and these include the following;

a) Digitisation and information enablement of the business through the active marketing of the RTG Gateway. This mobile and web application will provide a platform through which RTG can become the information portal of the hospitality industry. This mobile application will reposition RTG as the industry leader operating at the cutting edge of technology.

b) Repositioning RTG as an Afro-centric brand that offers guests the experience of rich African heritage.

c) Establishment of a local and international tour operations arm.

d) Refurbishment of all existing properties to meet acceptable customer standards.

……………………..................

T. M. MADZIWANYIKA
CHIEF EXECUTIVE OFFICER

19 March 2018

Kadoma Hotel & Conference Centre - Reception

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.

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 Company 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 introduction of the Report on Corporate Governance for South Africa 2016 (King IV) report as well as the 2015 National Code on Corporate Governance (Zimbabwe) have provided additional corporate governance benchmarks for the company to abide by, in addition to the existing corporate governance framework. In 2018, the company will hold a Corporate Governance Training for the board and senior management and engage external Corporate Governance experts to advise on and facilitate the implementation of sound modern corporate governance practices.

2. BOARD OF DIRECTORS

The primary role of the board is to protect and enhance long term shareholder value. The board is at the core of the Company's corporate governance framework 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 and care, and in the best interests of the Company and its shareholders.

The RTG Board currently has ten members, two of whom are executive and eight 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 Company maintains a high standard of corporate governance.

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 eight 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 Company and executive management. Certain matters are considered at all board meetings including the Chief Executive's Report, the Finance 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.

CORPORATE GOVERNANCE REPORT (contd)

ATTENDANCE AT SCHEDULED MEETINGS OF THE BOARD AND BOARD COMMITTEES IN 2017.

NAME	STRATEGY SESSION	BOARD/ SPECIAL MEETING	AUDIT & RISK COMMITTEE	HUMAN RESOURCES, COMMITTEE	MARKETING, COMMUNICATIONS & STRATEGY COMMITTEE	FINANCE COMMITTEE
J. M. Chikura	N/A	5/5	N/A	3/3	N/A	N/A
T. M. Madziwanyika	1/1	6/6	4/4	4/4	4/4	4/4
N. K. Mtukwa	1/1	6/6	4/4	4/4	4/4	4/4
T. T. Mlobane	N/A	3 /4	N/A	N/A	N/A	3/3
D. Hoto	1/1	6/6	4/4	3 /4	N/A	N/A
I.C. Haruperi	N/A	3 /4	3 /4	3/3	N/A	N/A
S. N. Chibanguza	N/A	3/ 4	N/A	N/A	2/3	N/A
S. T. Biyam	1/1	5/6	N/A	1/1	N/A	4/4
D. Mavhembu	1/1	4/6	3/ 4	1/1	3/ 4	N/A
B. A. Shenje	1/1	5/6	N/A	N/A	1/1	4/4
C. J. Murandu	1/1	4/6	1/1	N/A	3/ 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 & Strategy Committee and the Finance Committee. Below is a description of the Committees in line with each Committee's terms of reference.

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 attend all 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 to review and advise on the Company'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;

3.4.3 due diligence on acquisitions, divestments including proposals which may have a material impact on the Company'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 ZSE Listing Rules.

6. DEMATERIALISATION OF SECURITIES

The Securities Act [Chapter 24:25] (the Securities Act) authorises the Zimbabwe Stock Exchange 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 dematerialised form. Section 72 supersedes all other provisions to the contrary in the Company'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 dematerialised form must be authorised by the directors of that company. In 2015, the RTG board passed a resolution authorizing and empowering the company to convert its securities into dematerialised form and deal in such dematerialised 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 Company 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 financial statements for the year ended 31 December 2017

To the members of Rainbow Tourism Group Limited

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

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

The Company'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 Company'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 systems of accounting and internal control are operating in a satisfactory manner.

In light of the current financial position, the Directors are satisfied that Rainbow Tourism Group Limited is a going concern and have continued to adopt the going concern basis in preparing the financial statements. The Directors are confident that a restructuring of the portion of the company's loans which was done through a rights issue linked to debentures has strengthened the financial position of the Company.

The Company's financial statements which are set out on pages 31 to 59 were, in accordance with their responsibilities, approved by the Board of Directors on 19 March 2018 and are signed on its behalf by:

....
S.T BIYAM
Chairman

....
T. M. Madziwanyika
Chief Executive

These financial statements were prepared under the supervision of:

....
Napoleon K. 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 2017.

SHARE CAPITAL

As at 31 December 2017, 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 were in issue. However, effective February 2018, 625 000 000 more shares have been issued which led to an increase the issued share capital of the Company. Effective 28 February 2018, the Company's authorised share capital remained at US$250 000 divided into 2 500 000 000 ordinary shares of $0.0001 each, of which $249,549.55 divided into 2,495,495,543 ordinary shares of $0.0001 cents are in issue.

RESERVES

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

DIVIDENDS

In view of the need to address the existing working capital gap, the Board resolved to not declare a dividend.

DIRECTORS

Shareholders will be requested to elect Mrs. Cynthia Dinka Malaba, Mssrs. Never Nyemudzo and Simon Masanga as directors of the Company. In addition, shareholders will be requested to re-appoint Ms. Charity Jane Murandu, Mssrs. Sijabuliso Thabani Biyam and Douglas Mavhembu 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 $95 069 for the year ended 31 December 2017.

AUDITORS

A resolution seeking the re-appointment of Messrs. Grant Thornton Chartered Accountants (Zimbabwe) as auditors of the company until the next annual general meeting and approval of their remuneration for the past year's audit amounting to $82 756 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 Company's borrowings were within the above limits.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

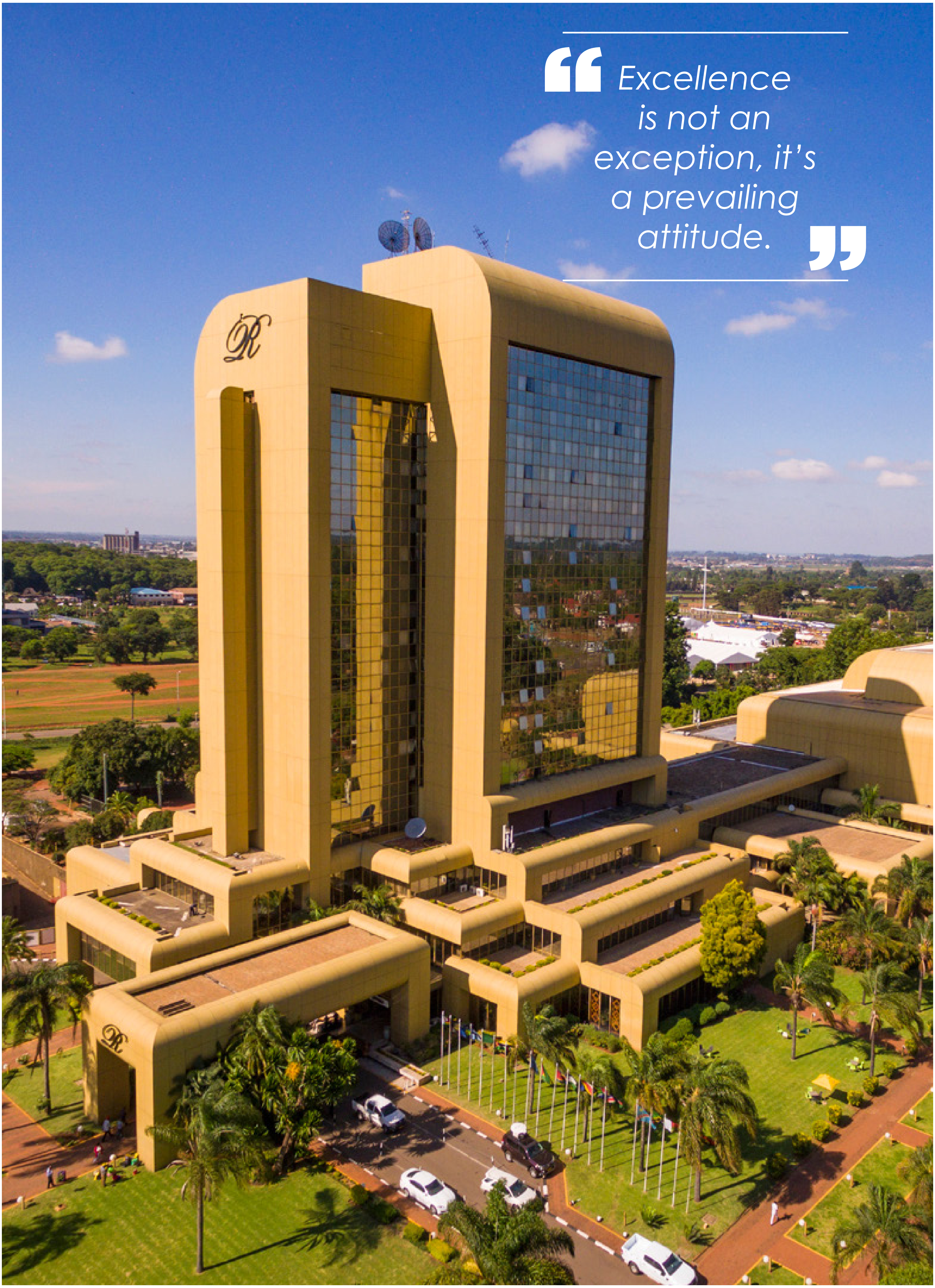
The directors are responsible for the maintenance of adequate accounting records and the preparation of the financial information included in this Annual Report. The Financial Statements have been consistently prepared in accordance with International Financial Reporting Standards, and where required,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

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

The Company financial statements have been prepared on the going concern basis since the directors have every reason to believe that the Company 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)

INDEPENDENT AUDITOR'S REPORT

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Zimbabwe

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www.grantthornton.co.zw

To the members of Rainbow Tourism Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rainbow Tourism Group Limited ("the Company") set out on pages 31 to 59, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rainbow Tourism Group Limited as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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.

Emphasis of matter – negative working capital

Without qualifying our opinion, we draw your attention to the fact that as at 31 December 2017, the Company's current liabilities exceeded its current assets by **USD 23 987 211**. As more fully disclosed in **note 30** to these financial statements, a capital raising initiative was approved by shareholders at an Extraordinary General Meeting on 17 January 2018. This transaction would result in a reduction in the negative working capital to an amount of **USD 2 129 770.**

Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Borrowings The Company's borrowings are equivalent to 31% of the Company's total assets. A significant portion of these borrowings are secured by mortgage bonds that were registered over the properties of the Company. Refer to **note 13** 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.	• We evaluated whether management had appropriately measured borrowings by obtaining loan confirmations directly from financiers to ascertain the level of the Company's indebtedness. • Where confirmations were not received, we reviewed correspondence between the Company 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 Company towards servicing of loan obligations, and reviewed correspondence between the Company and its financiers to determine whether the Company was adhering to the terms of the loan agreements. • Reviewed the financial statements to ascertain whether the borrowings had been correctly classified as either current or non-current liabilities. • Inspected the 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 Company'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 Company to adhere to loan covenants on the basis of future cash flows expected to be generated by the Company. • In our view, the measurement, presentation and disclosures made by management in the financial statements regarding borrowings is adequate. • The ability of the Company to comply with debt covenants is dependent on successful conclusion of the capital raising and/or debt restructuring initiatives being pursued by the Company.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue and receivables	
Overstatement of revenue • Revenue is a key measure used to evaluate the performance of the Company. There is a risk that the revenue is presented at amounts higher than what has been actually generated by the Company. This is a significant risk and accordingly a key audit matter.	• 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 Company's revenue is adequate and appropriate.
Allowance for credit losses The Company has trade receivables amounting to **USD 2 240 349** after the allowance for credit losses, (Refer to **note 9** to the 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 Company assesses all trade receivables individually to assess their recoverability so as to provide for an allowance for credit losses. As at 31 December 2017, the Company's trade receivables of **USD 3 311 669** were past due and impaired. The estimation of the recoverable amount of debtors requires significant judgement and is accordingly a key audit matter.	• We evaluated the assessment made by management of the allowance for credit losses to test adequacy. • To ascertain the adequacy of the allowance for credit losses, 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 Company is adequate.

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 financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed 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 Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on the 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the 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 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 annual financial statements.

Report on other legal and regulatory requirements

In our opinion, the 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 **27 March 2018**
Chartered Accountants (Zimbabwe)
Registered Public Auditors

HARARE

STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Notes	2017 USD	2016 USD
ASSETS			
Non-current assets			
Property and equipment	5	35 936 189	37 073 151
Intangible assets	6	137 037	103 220
Biological assets	7	8 225	-
Deferred tax asset	14	354 273	795 138
		36 435 724	**37 971 509**
Current assets			
Inventories	8	2 538 914	2 362 224
Accounts receivable	9	5 748 559	5 728 233
Other financial assets	10	14 638	14 638
Bank and cash balances	11	968 016	576 788
		9 270 127	**8 681 883**
Total assets		**45 705 851**	**46 653 392**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12.1	187 050	187 055
Share premium	12.2	4 477 505	4 477 500
Non-distributable reserve	12.3	16 711 500	16 711 500
Revaluation reserve	12.5	2 985 217	2 985 217
Other capital reserve	12.6	279 999	314 999
Accumulated losses		(12 192 758)	(12 305 023)
Total equity		**12 448 513**	**12 371 248**
Current liabilities			
Borrowings	13	14 008 995	16 493 240
Accounts payable	15	18 286 745	16 979 427
Bank overdraft	11	961 598	809 477
		33 257 338	**34 282 144**
Total equity and liabilities		**45 705 851**	**46 653 392**

S. T. Biyam
Chairman

T. M. Madziwanyika
Chief Executive

N. K. Mtukwa
Finance Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Notes	2017 USD	2016 USD Restated
Revenue	**16**	**27 000 224**	**24 136 744**
Cost of sales		(9 251 306)	(7 626 506)
Gross profit		**17 748 918**	**16 510 238**
Other operating income	**17**	929 391	645 936
Administrative expenses		(7 884 871)	(9 327 824)
Distribution expenses		(2 793 095)	(2 406 176)
Other operating expenses		(6 123 033)	(7 347 504)
Profit/(loss) from operations		**1 877 310**	**(1 925 330)**
Net finance costs	**18**	(1 324 180)	(1 868 121)
Profit/(loss) before tax	**19**	**553 130**	**(3 793 451)**
Income tax (charge)/credit	**20**	(440 865)	679 722
Profit/(loss) for the year from continuing operations		**112 265**	**(3 113 729)**
Discontinued operations			
Loss from discontinued operations, net of tax	**29**	**-**	**(1 572 640)**
Profit/(loss) for the year		**112 265**	**(4 686 369)**
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss:			
Exchange gain arisng from translation of foreign operations		-	15 100
Other comprehensive income, net of tax		**-**	**15 100**
Total comprehensive income/(loss) for the year		**112 265**	**(4 671 269)**
Earnings per share	**21**		
Basic earning/(loss) per share:			
From continuing operations		0.006	(0.167)
From discontinued operations		-	(0.084)
Headline earning/(loss) per share:			
From continuing operations		0.006	(0.167)
From discontinued operations		-	(0.084)

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Notes	2017 USD	2016 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**22**	**4 409 047**	**4 745 675**
Finance income		72 081	68 029
Other operating income		929 391	645 936
Finance costs		(1 396 261)	(1 936 149)
Net cash generated from continuing operations		**4 014 258**	**3 523 491**
Net cash utilised in discontinued operations		**-**	**(452 602)**
Net cash inflow from operating activities		**4 014 258**	**3 070 889**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on purchase of property and equipment	**5**	(1 238 986)	(960 407)
Development of intangible asset	**6**	(59 622)	-
Payments on purchase of biological assets	**7**	(8 225)	-
Proceeds from sale of property and equipment		15 927	3 545
Net cash used in continuing operations		**(1 290 906)**	**(956 862)**
Net cash used in discontinued operations		**-**	**(6 528)**
Net cash outflow from investing activities		**(1 290 906)**	**(963 390)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(2 484 245)**	**(1 752 047)**
Net cash outflow from financing activities		**(2 484 245)**	**(1 752 047)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**239 107**	**355 452**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**(232 689)**	**(588 141)**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**11**	**6 418**	**(232 689)**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	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 to the owners USD	attributable controlling interests USD	Non- Total equity USD
Balance at 1 January 2016	**187 055**	**4 477 500**	**16 711 500**	**(411 340)**	**2 985 217**	**350 000**	**(7 222 414)**	**17 077 518**	**-**	**17 077 518**
Comprehensive income/(loss) for the year	-	-	-	15 100	-	-	(4 686 369)	(4 671 269)	-	(4 671 269)
Transfer within reserves	-	-	-	396 240	-	-	(396 240)	-	-	-
Realisation of other capital reserve	-	-	-	-	-	(35 001)	-	(35 001)	-	(35 001)
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**
Comprehensive income for the year	-	-	-	-	-	-	112 265	112 265	-	112 265
Realisation of other capital reserve	-	-	-	-	-	(35 000)	-	(35 000)	-	(35 000)
Transfer within reserves	(5)	5	-	-	-	-	-	-	-	-
Balance at 31 December 2017	**187 050**	**4 477 505**	**16 711 500**	**-**	**2 985 217**	**279 999**	**(12 192 758)**	**12 448 513**	**-**	**12 448 513**

1 General Information and Statement of Compliance

1.1 Nature of business and incorporation

Rainbow Tourism Group Limited, is a limited liability company incorporated and domiciled in Zimbabwe. The Company 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 Company's shares are listed on the Zimbabwe Stock Exchange.

1.2 Currency

The Company'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 Company operates.

1.3 Basis of preparation

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

The basis of preparation of financial statements is International Financial Reporting Standards (IFRSs).

1.4 Statement of compliance

These 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 financial statements have been prepared on a historical cost basis, except for land and buildings classified as property and equipment, biological assets and held to maturity (HTM) financial assets which are carried at fair value.

The financial statements for the year ended 31 December 2017 (including comparatives) were approved and authorised for issue by the Board of Directors on 19 March 2018. 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 Company

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 Company. Information on those expected to be relevant to the Company's financial statements is provided below. Management anticipates that all relevant pronouncements will be adopted in the Company'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 Company'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 Company'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 Company'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 Company continues to elect the fair value option for certain financial liabilities fair value movements will be presented in other comprehensive income to the extent of those changes relate to the Company'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 Company 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 the 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 Company 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 financial statements have been prepared using the significant accounting policies and measurement bases summarised below:

3.2 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Company, 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 the statement of 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 Company's financial statements, all assets, liabilities and transactions of the entities with a functional currency other than the US dollar, are translated into US dollars upon consolidation. The functional currency of the Company 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 Company. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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 operating income

Interest receivable and other operating income is accrued on a time basis by reference to the principal amount outstanding and effective interest rate applicable.

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 profit or loss 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%

Property and equipment 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 profit or loss 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 derecognised upon disposal or when no future economic benefits are expected from use or disposal.

3.11 Externally acquired intangible assets

Externally acquired and internally developed intangible assets are initially recognised at historical 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 or legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The useful economic life of the Company's intangible assets is as follows:

Microsoft user rights	8 years
Mobile and web application	8 years

3.11 Biological assets

Biological assets are living animals that are managed by the Company. The biological assets of the Company comprise of cattle livestock. At initial recognition, biological assets are valued at fair value and where fair value cannot be reliably measured they are valued at historical cost. Fair value movements of the biological assets are recognised in statement of profit or loss.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3.12 Fair value measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values.This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Finance Director.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's audit committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes:"

3.12.1 Note 7: Biological assets
3.12.2 Note 10: Other financial assets

3.13 Post-employment benefits - defined contribution schemes

Contributions to defined contribution pension schemes are charged to the statement of profit or loss and other comprehensive income in the year to which they relate.

3.14 Leases

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (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 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 Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Associated cost such as maintenance and insurance, are recognised in the statement of profit or loss 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.

3.15 Non-current assets held for sale and disposal groups

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

3.15.1 they are available for immediate sale;

3.15.2 management is committed to a plan to sell;

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

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

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

3.15.6 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:

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

3.15.8 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 statement of proft or loss and other comprehensive income up to the date of disposal.

A discontinued operation is a component of the Company'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 statement of comprehensive proft or loss and other 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.

3.16 Provisions

Provisions are recognised when the Company 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.

3.17 Share capital

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

3.18 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.

3.19 Financial instruments

3.19.1 Financial assets

The Company 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 Company's accounting policy for each category is as follows:

3.19.2 Fair value through profit or loss

This category comprises only in-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Company 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.

3.19.3 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 goods and 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 Company 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 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 Company 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 statement of comprehensive income (operating profit).

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the 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 statement of financial position.

3.19.4 Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available for- sale and comprise principally the Company'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 statement of profit or loss.

3.19.5 Financial liabilities

The Company 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 Company's accounting policy for each category is as follows:

3.19.6 Fair value through profit or loss

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

3.19.7 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 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.

3.19.8 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.

3.19.9 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 Company'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.

3.19.10 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.

3.20 Cost of sales

Cost of sales includes the cost of materials, cost of direct labour in the production of goods and services.

3.21 Service stocks

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

3.22 Income tax

3.22.1 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.

3.22.2 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.

4 Significant judgements in applying the Company'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:

4.1 Trade receivables

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

4.2 Impairment testing

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

5 Property and Equipment

	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 2016	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
Transfers in/(out) of capital working in progress	-	1 162 110	(545 029)	(617 081)	-	-
Impairment of fixed assets	-	(300 397)	-	(729 625)	(457)	(1 030 479)
Disposals	-	-	-	(4 920)	-	(4 920)
Net exchange differences	-	(45 547)	-	(455 383)	(104 780)	(605 710)
Depreciation charge for the year	(657 263)	(299 667)	-	(1 334 243)	(35 007)	(2 326 180)
Carrying amount at 31 December 2016	**22 770 824**	**6 232 146**	**174 546**	**7 533 091**	**362 544**	**37 073 151**
Additions	-	659 202	-	579 784	-	1 238 986
Disposals	-	-	-	(21 158)	-	(21 158)
Transfers in/(out) of capital working in progress	-	-	(27 895)	27 895	-	-
Depreciation charge for the year	(657 263)	(320 379)	-	(1 349 681)	(27 467)	(2 354 790)
Carrying amount at 31 December 2017	**22 113 561**	**6 570 969**	**146 651**	**6 769 931**	**335 077**	**35 936 189**

Land and buildings have been pledged as security for long term borrowings as more fully disclosed in note 13. There is a notarial general covering bond over the Company's movable assets. An impairment loss was recognized in respect of assets for the discontinued operation, that is, Rainbow Hotel Mozambique and Rainbow Beitbridge Hotel. In terms of the Company'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.

6 Intangible Assets

	2017 USD	2016 USD
Carrying amount as at 1 January	103 220	129 023
Additions	59 622	-
Amortisation	(25 805)	(25 803)
Carrying amount as at 31 December	137 037	103 220

Included in intangible assets are rights to use certain Microsoft products indefinitely. The company invested USD 59 622 towards the development of a mobile and web application. The application is expected to be brought into use in February 2018. The new intangible asset will have an estimated life span of 8 years.

7 Biological Assets

	2017 USD	2016 USD
Opening fair value	-	-
Additions	8 225	-
Movement in fair value	-	-
Closing fair value	8 225	-

During the course of 2017, the Company purchased 18 cows for its beef consumption in a bid to mitigate the acute price increase on beef products on the market. As at 31 December 2017, the cattle comprised of 13 stears and 3 oxen.

Measurement of fair values

The fair value measurements of livestock have been categorised as Level 2 fair values based on observable market sales data.

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key observable input at fair value measurement
Livestock comprises of cattle characterised as growers	Market comparison technique: The fair values are based on the market price of livestock of similar age, weight and market values	Not applicable	Not applicable

7.1 Risk management strategy related to agricultural activities

The Company is exposed to the following risks relating to its herd;

Regulatory and environmental risks

The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws.

Supply and demand risk

The Company is exposed to risks arising from fluctuations in the price of the cow on the market. When possible, the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

Climate and other risks

The Company has put in place measures and controls to mitigate losses from the above risks. These measures and controls include, inter alia, a very comprehensive biosecurity program across the operations, insurance against theft and unnatural deaths, vaccination to prevent widespread disease and infections, continuing comprehensive herd health monitoring programs.

		2017 USD	2016 USD
8	**Inventories**		
	Food and beverages	481 331	208 081
	Service stocks	1 740 192	1 693 485
	Other stocks	317 391	460 658
		2 538 914	**2 362 224**
9	**Accounts Receivable**		
	Trade	5 552 018	6 322 578
	Less: Allowance for credit losses	(3 311 669)	(3 511 669)
		2 240 349	2 810 909
	Other receivables	3 508 210	2 917 324
		5 748 559	**5 728 233**

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

	2017 USD	2016 USD
Trade	2 240 349	2 810 909
Other	3 508 210	2 917 324
	5 748 559	**5 728 233**

As at 31 December 2017 the Company's trade receivables of USD 2 240 349 (2016: USD 2 810 909) were past due but not impaired. They relate to the clients with no default history. The ageing analysis of these receivables is as follows:

	2017 USD	2016 USD
Up to 3 months	1 531 130	1 806 109
3 to 6 months	142 517	178 552
9 months and over	566 702	826 248
	2 240 349	**2 810 909**

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

	2017 USD	2016 USD
Balance at 1 January	3 511 669	3 245 124
(Decrease)/increase in provisions	(200 000)	266 545
Balance at 31 December	**3 311 669**	**3 511 669**

The movement on the provision for impaired receivables has been included in other operating expenses on the 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.

		2017 USD	2016 USD
10	**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.

		2017 USD	2016 USD
11	**Cash and Cash Equivalents**		
	For the purposes of the statement of cash flows, cash and equivalents comprise the following:		
	Bank and cash balances	968 016	576 788
	Bank overdraft	(961 598)	(809 477)
		6 418	**(232 689)**

The bank overdrafts are unsecured. The interest rates range between 10% and 12% per annum.

		2017 USD	2016 USD
12	**Share Capital and Reserves**		
12.1	**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	**187 050**	**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. The change in issued capital balance was a result of the a reconciliation to the share register. The change in the issued capital balance will not affect the overall shareholder equity.

		2017 USD	2016 USD
12.2	**Share premium**		
	Balance at 1 January	4 477 500	4 477 500
	Movement during the year	5	-
	Balance at 31 December	**4 477 505**	**4 477 500**

The change in share premium balance was a result of a reconciliation of the share register. The change in the share premium balance will not affect the overall shareholder equity.

		2017 USD	2016 USD
12.3	**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.

		2017 USD	2016 USD
12.4	**Foreign currency translation reserve**		
	Opening balance	-	(411 340)
	Movement during the year	-	15 100
	Tranfer within reserves	-	396 240
	Closing balance	**-**	**-**
12.5	**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.

		2017 USD	2016 USD
12.6	**Other capital reserve**		
	Opening balance	314 999	350 000
	Movement during the year	(35 000)	(35 001)
	Balance at 31 December	**279 999**	**314 999**

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 is being amortised over 10 years.

13 Borrowings

		2017 USD	2016 USD
13.1	**Long term loans**		
	African Export-Import Bank (Afreximbank)	-	1 100 000
	PTA Bank	-	113 579
	National Social Security Authority (NSSA)	13 640 349	13 640 349
	FBC Bank Limited	32 646	679 312
		13 672 995	**15 533 240**
	Less current portion of long term loans	13 672 995	15 533 240
		-	**-**
13.2	**Short term loans**		
	Stanbic Bank Limited	-	288 000
	CBZ Bank Limited	336 000	672 000
	Add : Current portion of long term loans	13 672 995	15 533 240
		14 008 995	**16 493 240**

13 Borrowings (continued)

13.3 NSSA loans

NSSA a shareholder/related party extended to the Company a loan of USD 10 million towards restructuring of the Company's debt and USD 3.6 million facility towards 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 of rate of 6%. The Board approved the term sheet in March 2016. Subsequent to this, NSSA initiated legal proceedings against RTG in order to recover the principal plus interest accrued. 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 Company to restructure the balance sheet, including the NSSA debt. During the course of 2017, the company proposed a USD 22 500 000 debenture linked rights offer to shareholders. The transaction was approved by shareholders at an EGM held in Harare on 17 Janaury 2018. The proceeds of the capital injection will be used to repay all the borrowings including the NSSA debt. The transaction is expected to be concluded in March 2018. Post the transaction, RTG's borrowings will be USD 16 687 500 debentures.

Short term loans

These are bankers' acceptances and short term borrowings with various financial institutions. Interest on bankers' acceptances range between 10% and 12% per annum. The short-term loans are secured by a notarial general covering bond over the Company's movable assets.

		2017 USD	2016 USD
14	**Deferred Tax**		
14.1	**Deferred tax assets**		
	Assessed losses	(4 703 515)	(4 610 081)
14.2	**Deferred tax liabilities**		
	Accelerated wear and tear	4 349 243	3 814 943
	Net deferred tax position as at 31 December	**(354 273)**	**(795 138)**
14.2	**Reconciliation**		
	Balance at the beginning of year	(795 138)	(115 461)
	Temporary differences on property and equipment	93 434	160 986
	Originating differences on assessed losses	347 431	(840 663)
	Deferred tax asset	**(354 273)**	**(795 138)**
15	**Accounts Payable**		
	Trade	14 618 791	14 311 473
	Other	3 667 954	2 667 954
		18 286 745	**16 979 427**
16	**Revenue**		
	Rooms	12 419 145	11 636 501
	Food, beverages and conferencing	14 153 789	12 411 029
	Other operating activities	427 290	89 214
		27 000 224	**24 136 744**

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

		2017 USD	2016 USD
17	**Other Operating Income**		
	Reserve Bank of Zimbabwe (RBZ) 5% export incentive	245 021	65 021
	Rental income	386 114	549 659
	Recovery of bad debts	252 000	-
	Sundry income	46 256	31 256
		929 391	**645 936**

18	**Net Finance Costs**		
	Finance income	72 081	68 028
	Finance costs	(1 396 261)	(1 936 149)
		(1 324 180)	**(1 868 121)**

During the period under review, finance costs related to the NSSA loan were accrued at an interest rate of 6%.

		2017 USD	2016 USD
19	**Profit/(Loss) Before Tax**		
	Profit/(loss) before tax is arrived at after taking into account the following:		
	Expenses		
	Staff costs	10 347 443	10 669 488
	Audit fees	82 756	81 971
	Depreciation and amortisation	2 380 595	2 351 983
	Directors' emoluments:		
	For services as Directors	95 069	82 371
	For managerial services	1 310 562	1 453 962
	Operating lease expenses	1 329 038	1 282 432
	Exchange gain	42 656	15 100
	Loss on disposal of equipment	(5 231)	(1 375)
20	**Income Tax (charge)/credit**		
	Current tax	-	-
	Deferred tax	(440 865)	679 722
		(440 865)	**679 722**
	Tax rate reconciliation		
	Accounting profit/(loss)	553 130	(3 907 556)
	Tax at 25.75%	142 431	(1 006 196)
	Non-deductable differences	(583 296)	1 685 918
		(440 865)	679 722

		2017 USD	2016 USD
21	**Earnings Per Share**		
21.1	**Basic earnings/(loss) per share (continuing operations)**		
	Numerator		
	Profit/(loss) for the year used in basic EPS	112 265	(3 113 729)
	Denominator	**'000s**	**'000s**
	Weighted average number of shares used in basic EPS	1 870 496	1 870 496
	Basic earnings/(loss) per share (US cents)	0.006	(0.167)
21.2	**Headline earnings per share (continuing operations).**		
	Numerator		
	Profit/(loss) for the year used in basic EPS	112 265	(3 113 729)
	Loss on sale of assets	5 231	1 375
		117 496	(3 112 354)
	Denominator	**'000s**	**'000s**
	Weighted average number of shares used in basic EPS	1 870 496	1 870 496
	Headline earnings/(loss) per share (US cents)	0.006	(0.167)
21.3	**Basic earnings per share (continued and discontinued operations)**		
	Profit/(loss) attributable to shareholders	112 265	(4 671 269)
	Weighted average number of shares in issue (000s)	1 870 496	1 870 496
	Basic earnings/(loss) per share (US cents)	0.006	(0.250)

		2017 USD	2016 USD
22	**Cash Flow Information**		
	Cash generated from operating activities		
	Profit/(loss) for the year	112 265	(3 113 729)
	Adjusted for:		
	Depreciation of property and equipment and amortisation net capital grant	2 345 595	2 326 180
	Impairment of debtors	-	522 098
	Other operating income	(929 391)	(645 936)
	Loss on disposal of property plant and equipment	5 231	1 375
	Finance costs	1 396 261	1 936 149
	Income tax charge/(credit)	440 865	(679 722)
	Finance income	(72 081)	(68 029)
	Operating profit before working capital changes	**3 298 745**	**278 386**
	(Increase)/decrease in inventories	(176 690)	377 592
	(Increase)/decrease in accounts receivables	(20 326)	456 407
	Increase in accounts payables	1 307 318	3 633 290
		4 409 047	**4 745 675**

23 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:

		2017 USD	2016 USD
23.1	NSSA NPS	400 000	635 050

This relates to Rainbow Beitbridge Hotel rental payments to NSSA.

Included in borrowings is a related party loan from NSSA amounting to USD 13 640 349.

		2017 USD	2016 USD
23.2	**Compensation to key management**		
	Short term benefits	1 310 562	1 453 962
23.3	**Non - Executive Directors**		
	Fees	95 069	82 371

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

		2017 USD	2016 USD
23.4	**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 Company. They include the Chief Executive Officer, Finance Director and other senior management of the Company.

24 Lease Commitments

24.1 Operating lease commitments

(a) Operating lease terms

The Company 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	2017 USD	2016 USD
Not later than one year	- fixed	240 000	240 000
	- variable	1 110 458	1 173 274
Later than one year and not later than five years	- fixed	1 200 000	1 200 000
	- variable	5 552 290	5 866 370
Later than five years	- fixed	1 800 000	1 800 000
	- variable	21 098 702	23 465 480
Total operating lease commitments		**31 001 450**	**33 745 124**

25 Capital Expenditure Commitments

	2017 USD	2016 USD
Contracted	845 000	1 385 000
Authorized but not contracted	937 543	1 500 000
	1 782 543	**2 885 000**

The contracted USD 845 000 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.

26 Retirement Benefits

26.1 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.

	2017 USD	2016 USD
Contribution for the year	70 260	76 108

26.2 National Social Security Authority Scheme (NSSA) - Zimbabwe

This is a defined contribution scheme legislated under the National Social Security Act (1989). The company'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.

	2017 USD	2016 USD
Contribution for the year	107 092	107 212

26 Retirement Benefits - (contd)

26.3 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. In August 2017, the company applied and was granted a two year pension holiday effective 1 August 2017.

Contributions for the year	265 351	407 567

27 Financial Risk Management

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

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company'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 Company'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.

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

a) Accounts receivable;
b) Cash at bank;
c) Borrowings;
d) Accounts payable; and
e) Other financial assets.

General objectives, policies and processes
The Board has overall responsibility for the determination of the Company'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 Company's finance function.

27.1 Market risk
The Company's costs and product pricing is subjected to market risk. The shortages of foreign currency in 2017, resulted in acute price increases in the market. As a way of mitigating the effects of market risk, the Company imported goods from outside the country.

27.2 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 Company policies and exposure limits is reviewed at regular board meetings.

27.3 Liquidity risk
The Company has a borrowing capacity of USD 24 897 026 of which 56% was unutilised as at 31 December 2017. This together with cash generated from operations is adequate to enable the Company to meet its day-to day expenses and service charges as they fall due.

27 Financial Risk Management - (contd)

27.4 Credit risk

Financial assets which potentially subject the Company to concentrations of credit risk consist mainly of trade receivables, bank balances and cash. The Company'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.

27.4 Interest rate risk

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

27.5 Exchange risk

The Company 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 2017 USD	Loans and receivables 2017 USD	Held to maturity 2017 USD
Bank and cash balances	-	6 418	-
Trade and other receivables	-	5 748 559	-
Quoted shares and treasury bills	14 638	-	-
	14 638	**5 754 977**	**-**

Financial liabilities	Fair value through profit or loss 2017 USD	Fair value through profit or loss 2016 USD	Amortised cost 2017 USD	Amortised cost 2016 USD
Trade and other payables	-	-	18 286 745	16 979 427
Borrowings	-	-	14 008 995	16 493 240
Bank overdrafts	-	-	961 598	809 477
	-	-	33 257 338	34 282 144

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial assets which potentially subject the Company to concentrations of credit risk consist primarily of cash and trade receivables. The Company'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 2017 USD	Maximum Carrying value 2016 USD	Maximum exposure 2017 USD	Maximum exposure 2016 USD
Bank and cash balances	6 418	(232 689)	6 418	(232 689)
Trade and other receivables	5 748 559	5 728 233	5 748 559	5 728 233
Quoted shares and treasury bills	14 638	14 638	14 638	14 638
	5 769 615	5 510 182	5 769 615	5 510 182

27 Financial Risk Management - (contd)

Financial instruments measured at fair value

	Level 1		Level 2		Level 3	
	2017 USD	2016 USD	2017 USD	2016 USD	2017 USD	2016 USD
Equity investments	670	670	-	-	-	-

27.6 Liquidity risk

This is the risk of insufficient liquid funds being available to cover commitments. In order to mitigate any liquidity risk that the Company faces, the Company's policy has been throughout the year ended 31 December 2017, to maintain substantial unutilised facilities.

	Up to 3 months 2017 USD	Between 3 and 12 months 2017 USD	Between 12 and 24 months 2017 USD	Over 2 years 2017 USD	Total 2017 USD
Trade and other payables	3 458 846	2 760 958	2 156 152	9 910 789	18 286 745
Borrowings	336 000	3 640 439	10 032 556	-	14 008 995
Bank overdrafts	961 598	-	-	-	961 598
	4 756 444	**6 401 397**	**12 188 708**	**9 910 789**	**33 257 338**

	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**

28 Management of Capital

The primary objective of the Company'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 Company 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 2017.

The Company monitors its capital ratio using a gearing ratio which is net debt divided by total capital plus net debt. The Company 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.

	2017 USD	2016 USD
Trade and other payables	18 286 745	16 979 427
Borrowings	14 008 995	16 493 240
Less: cash and cash equivalents	(6 418)	232 689
Net debt	**32 289 322**	**33 705 356**
Total equity	12 448 513	12 371 248
Capital and net debt	**44 737 835**	**46 076 604**
Adjusted gearing ratio	72%	73%

29 Discontinued Operations

During the 2016 financial year the Board resolved to exit from the Beitbridge and Mozambique operations. The Company terminated the lease on Rainbow Beitbridge Hotel (RBBH) effective 31 May 2016 and Hotel Mozambique effective 30 September 2016. The Company exited RBBH due to depressed occupancies, low margins as well as high operating costs. The exit of Rainbow Hotel Mozambique 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:

	2017 USD	2016 USD
Revenues	-	1 040 298
Cost of sales	-	(451 719)
Gross profit	**-**	**588 578**
Operating expenses	-	(832 013)
Earning before interest, tax, depreciation and amortisation	**-**	**(243 435)**
Depreciation	-	(171 315)
Impairment of property and equipment	-	(1 030 479)
Loss from operations	**-**	**(1 445 229)**
Finance costs	-	(127 411)
Loss before tax	**-**	**(1 572 640)**
Income tax	-	-
Loss from discontinued operations	**-**	**(1 572 640)**
Loss per share	-	(0.084)
The operating loss from discontinued operations can be further analysed as follows:		
Operating loss from Rainbow Beitbridge Hotel	-	(996 953)
Operating loss from Rainbow Hotel Mozambique	-	(575 687)
	-	(1 572 640)
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)
Net cash used in investing activities	-	(6 528)
	-	(459 130)

30 Negative Working Capital

As at 31 December 2017, the Company's current liabilities exceeded its current assets by **USD 23 987 211** (2016: **USD25 600 261).**

In order to address the negative working capital gap and the possible effects of the High Court judgement issued in favour of NSSA with respect to outstanding loans, the Company embarked on a capital raising initiative. On 21 December 2017, a circular was issued to shareholders. Included in the circular was a capital raising proposal which comprised of a rights offer for subscription of 625 000 rights offer shares and 1 794 354 839 linked debentures. The capital raising proposal and subsequent transaction were approved by shareholders at an Extraordinary General Meeting held in Harare on 17 January 2018. The proceeds of the transaction would be used to repay the Company's existing borrowings, with a portion also going towards reducing the Company's legacy creditors. At the time of approval of the financial statements, the Company had received the proceeds of the transaction. Subsequent to the transaction, the negative working capital position would be reduced to **USD 2 129 770** as shown in the pro-forma statement of financial position below:

Abridged pro-forma statement of financial position

	Pre-transaction 31 Dec 2017 USD	Effect of transaction 2017 USD	Pro-forma Post-transaction 2017 USD
ASSETS			
Non-current assets	**36 435 724**	**-**	**36 435 724**
Current assets	**9 270 127**	**-**	**9 270 127**
Total assets	**45 705 851**	**-**	**45 705 851**
EQUITY AND LIABILITIES			
Share capital	187 050	62 500	249 550
Share premium	4 477 505	5 750 000	10 227 505
Non-distributable reserve	16 711 500	-	16 711 500
Revaluation reserve	2 985 217	-	2 985 217
Other capital reserve	279 999	-	279 999
Accumulated losses	(12 192 758)	(642 559)	(12 835 317)
Total equity	**12 448 513**	**5 169 941**	**17 618 454**
Non-current liabilities			
Borrowings	-	16 687 500	16 687 500
Current liabilities			
Borrowings	14 008 995	(14 008 995)	-
Accounts payable	18 286 745	(6 886 848)	11 399 897
Bank overdraft	961 598	(961 598)	-
	33 257 338	(21 857 441)	11 399 897
Total liabilities	**33 257 338**	**-**	**28 087 397**
Total equity and liabilities	**45 705 851**	**-**	**45 705 851**
Negative working capital position	**23 987 211**	**(21 857 441)**	**2 129 770**

30 Negative Working Capital - (contd)

The Board of Directors has assessed the Company's working capital position and have a reasonable expectation that the Company 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 financial statements.

31 Functional and Presentation Currency

These financial statements are presented in United States dollars (USD) being the functional and reporting currency of primary economic environment in which the Company operates. Please refer to the use of estimates and judgements paragraph below which details the considerations made in determining the Company's functional currency.

31.1 Use of Estimates and Judgement

Determination of Functional Currency

The shortgage of cash and funded nostro bank accounts saw the emergence of different prices for goods and services settled via Real Time Gross Settlement system (RTGS), Point of Sale (POS) and mobile money. As a result of this and other factors, management had to make an assessment as to whether the use of USD as the Company's functional currency is still appropriate. The different models of settlement does not result in change in functional currency. Management concluded that USD is still the functional currency.

32 Post-Reporting Date Events

Non-adjusting events
An Extraordinary General Meeting was held on 17 January 2018. All resolutions relating to the USD 22 500 000 capital raising proposal were approved by shareholders.

33 Approval of the Financial Statements

These financial statements were approved by the Board of Directors on 19 March 2018.

RAINBOW TOURISM GROUP LIMITED

TOP 20 SHAREHOLDERS AS AT 31 DECEMBER 2017

	SHAREHOLDER	SHARES	%
1	NATIONAL SOCIAL SECURITY AUTHORITY	676 030 398	36.14
2	HAMILTON & HAMILTON TRUSTEES LTD	526 026 820	28.12
3	NSSA – WORKERS COMPENSATION IF	186,644,833	9.98
4	NSSA – NATIONAL PENSION SCHEME	186,644,833	9.98
5	MINISTRY OF ENVIRONMENT & TOURISM	83,402,508	4.46
6	LAAICO – FCA NON-RES	60,000,000	3.21
7	HAMILTON NICHOLAS RHODES - NNR	20 071 231	1.07
8	PINNACLE INVESTMENTS (PRIVATE) LIMITED	15 521 167	0.83
9	HAMILTON MAXIMILIAN RHET	13 996 703	0.75
10	HAMILTON ALEXANDER SETHI	10 000 000	0.53
11	HAMILTON ORRIE LINCOLN	10 000 000	0.53
12	HAMILTON RICHMOND LOUIS	10 000 000	0.53
13	EUGENIE BRITANIA HAMILTON	9 990 000	0.53
14	MESSINA INVESTMENTS	2 837 408	0.15
15	WORKERS COMPENSATION INVESTMENT FUND	2 728 169	0.15
16	OLD MUTUAL LIFE ASSURANCE CO ZIM LTD	2 535 750	0.14
17	MANO EVELYN	1 942 625	0.10
18	ANNES SUPERMARKET (PRIVATE) LIMITED	1,466,251	0.08
19	GORAN BLAGOJEVIC	1,217,648	0.07
20	NATIONAL PENSION SCHEME	1,211,182	0.06
	TOP 20 SHAREHOLDERS	**1,819,838,696**	**97.35**
	OTHER SHAREHOLDERS	**50,656,847**	**2.65**
	TOTAL SHARES IN ISSUE	**1,870,495,543**	**100**

NOTICE IS HEREBY GIVEN THAT the 19th Annual General Meeting ("AGM") of the shareholders of Rainbow Tourism Group Limited ("the Company") will be held in the Jacaranda Rooms 2 and 3 at the Rainbow Towers Hotel and Conference Centre, 1 Pennefather Avenue, Samora Machel Avenue West, Harare on Wednesday 13 June 2018 at 1000 to transact the following business;

1. CONSTITUTION OF MEETING

1.1 To table forms of proxy

1.2 To declare the meeting constituted

2. FINANCIAL STATEMENTS AND THE REPORTS OF THE DIRECTORS AND AUDITORS

To receive and adopt the financial statements and the reports of directors and auditors for the year ended 31 December 2017.

3. DIRECTORS' FEES

To approve the fees paid to the directors for the year ended 31 December 2017.

4. DIRECTORATE

4.1 To elect Mrs. Cynthia Dinka Malaba, Mssrs. Simon Masanga and Never Nyemudzo as directors of the Company.

4.2 To re-elect Ms. Charity Jane Murandu, Mssrs. Sijabuliso Thabani Biyam and Douglas Mavhembu as directors of the Company. In accordance with Article 99 of the Company's Articles of Association, Ms. Charity Jane Murandu, Mssrs. Sijabuliso Thabani Biyam and Douglas Mavhembu retire by rotation at the Company's Annual General Meeting and, being eligible, offer themselves for re-election.

Brief Profiles of these individuals will be included in the Annual Report.

5. AUDITORS

To fix the remuneration for the auditors for the past audit and to re-appoint Messrs. Grant Thornton Chartered Accountants (Zimbabwe) as auditors until the next Annual General Meeting.

PROXIES AND VOTES

Each member entitled to attend and vote at the meeting is entitled to appoint one or more persons, whether members or not, to act in the alternative as his/her proxy to attend or vote instead of him/her, having the same rights as the member to speak at the meeting.

Proxy forms must be lodged at the registered office of the Company no later than 10:00 noon on 11 June 2018.

By order of the board

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NAPOLEON. K MTUKWA
COMPANY SECRETARY

RAINBOW TOURISM GROUP LIMITED

PROXY FROM

The Secretary
Rainbow Tourism Group Limited
1 Pennefather Avenue, Samora Machel Avenue West
HARARE

I/We .... of .... being a member of Rainbow Tourism Group Limited (the Company) hereby appoints......................................., or failing him/her, the Chairman of the meeting as my/our proxy to attend and speak for me/us on my/our behalf at the Annual General Meeting of the Company to be held in the Jacaranda Rooms 2 &3, Rainbow Towers Hotel and Conference Centre, Harare on Wednesday the 13th of June 2018 and at any adjournment thereof and to vote or abstain from voting as indicated below on the resolutions to be considered at the said meeting.

	RESOLUTION	FOR	AGAINST	ABSTAIN
1.	To receive and adopt the financial statements, the reports of the directors and auditors for the year ended 31 December 2017.			
2.	To approve the fees paid to the directors for the year ended 31 December 2017.			
3.	To elect Mrs. Cynthia Dinka Malaba as a director of the company.			
4.	To elect Mr. Simon Masanga as a director of the company.			
5.	To elect Mr. Never Nyemudzo as a director of the company.			
6.	To re-elect Ms. Charity Jane Murandu who retires by rotation and, being eligible offers herself for re-election.			
7.	To re-elect Mr. Sijabuliso Thabani Biyam who retires by rotation and, being eligible offers himself for re-election.			
8.	To re-elect Mr. Douglas Mavhembu who retires by rotation and, being eligible offers himself for re-election.			
9.	To fix the remuneration for the auditors for the year ended 31 December 2017.			
10.	To re-appoint Messrs. Grant Thornton Chartered Accountants (Zimbabwe) as auditors for the ensuing financial year.			

Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If no indication is given, the proxy will vote or abstain at his/her discretion.

Signed at .... this ....day of June 2018
Signature of member ....
Number of Shares..

NOTES

1. This proxy form should reach the registered office of the company not later than forty –eight hours before the time of the meeting.
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote and speak in his stead. A proxy need not be a member of the company.

NOTES

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Registered Office
Rainbow Towers Hotel and Conference Centre
No. 1 Pennefather Avenue
Samora Machel Avenue West, Harare

Email: reservations@rtg.co.zw / res@rtgrsa.co.za
Website: www.rtgafrica.com
Skype: rtgreservations
Facebook: RTG Central reservations