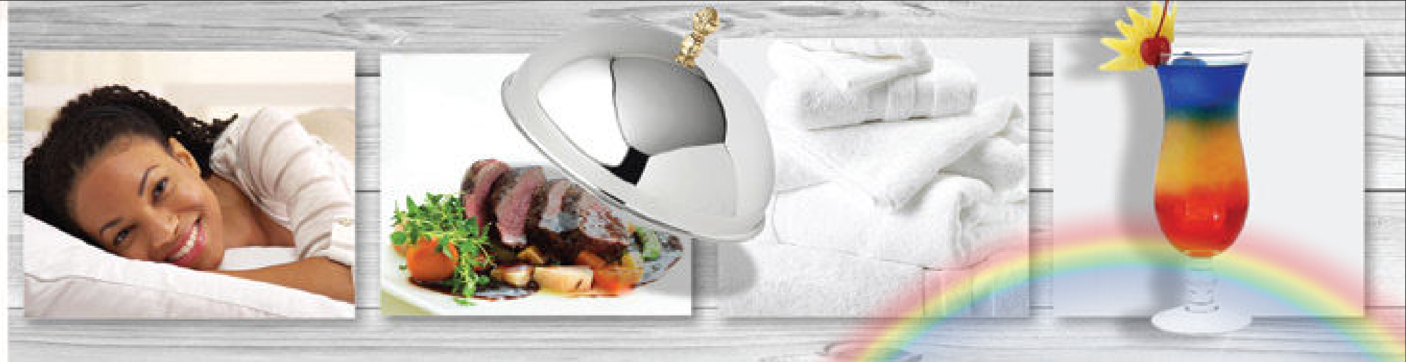
RTG
RAINBOW TOURISM GROUP LTD



Abridged Audited Financial Statements For the Year Ended 31 December 2018

PERFORMANCE HIGHLIGHTS

Revenue	$34.3 mil.	▲ 27%
Foreign business	$11 mil.	▲ 24%
E-Commerce revenues	$1.8 mil.	▲ 39%
Occupancy	61%	▲ 7%
ADR	$87	▲ 28%
RevPAR	$53	▲ 36%
EBITDA	$9.2 mil.	▲ 115%
Interest cost	$1.1 mil.	▼ 15%
Profit before tax	$5.6 mil.	▲ x10
Earnings per share	0.2 cents	▲ x30

CHAIRMAN'S STATEMENT

1. INTRODUCTION

It is my pleasure to present the financial results for the full year ended 31 December 2018.

The Company continued on its growth trajectory, delivering a solid performance in both revenues and profit. We have successfully restructured the Company's financial position to provide a solid platform for growing shareholder value. The debt which was a burden to the Company in previous years has been reduced to a sustainable level and this position has enabled the Company to now have a strong balance sheet. The Company is well positioned to exploit the many growth opportunities in the tourism sector in Zimbabwe and beyond.

2. OPERATING ENVIRONMENT

The 2018 financial year has been dynamic. During the first six months of the year, there were positive sentiments in the operating environment. The country went through elections in July 2018. The Company benefited from the election business through the hosting of the electoral command centre as well as the hosting of the many election observer missions. Post the election period, the government focused on re-engaging the international community as well as implementing various economic reforms. The fundamentals of the economy remained under stress and the business was mostly affected by increases in prices of products and services. Inflationary pressures, driven by foreign currency shortages led to significant price distortions as well as multi-tier pricing for most commodities.

3. PERFORMANCE REVIEW

The Company produced a pleasing set of results for the year ended 31 December 2018. Revenue grew by 27% from $27 million in 2017 to $34.3 million. The foreign revenues grew to $11 million from $8.9 million recorded in 2017. Operating profit increased 10 times to $5.6 million from $0.55 million in 2017. The Company delivered growth in both rooms and food & beverages (F&B) revenue streams compared to full year 2017. The performance is a solid improvement as evidenced by increased occupancies which grew by 7% despite having closed half of the Victoria Falls Rainbow for the first 4 months of 2018 as well as business closure due to disturbances in the post-election period. ADR grew by 28% as driven partly by the need to recover increasing costs as well as our ability to command better prices from foreign suppliers. The F&B covers grew by 7% mainly driven by the increase in conferencing activities particularly in city hotels.

City hotels accounted for much of the growth in 2018, posting a growth of 34% from $20 million in 2017 to $26.8 million in 2018. This is a recovery from the low performance in the past two years in particular for Rainbow Towers Hotel and Conference Centre. The hotel posted a 42% growth in revenue to close on $13.6 million from $9.6 million recorded in 2017. City properties registered a significantly improved performance due mainly to two factors:

1. Business coming from elections
2. Optimism in the economy that drove increased business travel as well as conferencing activities.

Revenue per Available Room (RevPAR), which is a product of occupancy and rate closed at $53 which is 36% above $39 recorded in 2017.

EBITDA for 2018 was $9.2 million, 115% above full year 2017. The growth in EBITDA is exceptional given the challenges obtaining in the operating environment. Included in the EBITDA is a recovery of $2.5 million debt from Capital Bank. On a like-for-like basis, the EBITDA for 2018 closed on $6.7 million, a growth of 56% above same period in 2017. The Company is now in a strong position to comply with its borrowing covenants and to complete product refurbishments.

Overall, the Company posted a profit before tax of $5.6 million which is 10 times growth from $0.55 million profit recorded in 2017. The resultant profit after tax for the year was $5.0 million, up from $ 112,000 recorded in 2017.

4. BALANCE SHEET RESTRUCTURING

I am pleased to report that the Company finalised the restructuring of the balance sheet on 21 February 2018. This was through a successful capital raise by way of a rights issue linked to debentures. The capital raised was a total of $22.5 million split as $5.8 million from the rights issue and $16.7 million from the debentures. This marked the end of a turn-around journey that started in 2012. As a result;

- Gearing ratio closed at 39% from 55% in December 2017.
- Current ratio of 1.26 in 2018 from 0.28 in 2017.
- Acid test ratio of 1.02 in 2018 from 0.20 in 2017.

5. PRODUCT UPGRADES

During the year, RTG invested $2.2 million in product upgrades. The capital expenditure was funded from internally generated cash flows. In addition to other works, the upgrades were largely applied to the Victoria Falls Rainbow Hotel. This completed the rooms refurbishment exercise that commenced during the previous year. Soft refurbishments are being carried out across other hotels as the Company continues to improve its product offering. The Company is on course to refurbishing its entire product portfolio by mid-2020. Plans are in place to complete in the given period the refurbishments of Rainbow Towers Hotel, Kadoma Hotel and Conference Centre and New Ambassador Hotel.

The Company recently completed the refurbishment of Bulawayo Rainbow Hotel. The scope of works covered the upgrade of bathrooms, full replacement of the hot and cold water reticulation system, replacement of exterior windows and upgrade of soft furnishing in rooms. The replacement of guest elevators is in progress and the new elevators will be commissioned by end of the first half of the year.

6. CORPORATE SOCIAL INVESTMENT

The Company focused on philanthropic activities which were driven by the individual hotels in the communities in which they operate. Kadoma Hotel and Conference Centre donated linen to Tariro Children's Home, Rimuka Old People's Home, Kadoma General Hospital and Zimbabwe Republic Police. The institutions received bath towels, bed sheets, bath mats and curtains valued at $75,000. Following the completion of its refurbishment project, Victoria Falls Rainbow Hotel donated bathroom equipment and accessories to Ndlovhu Secondary school in Victoria Falls valued at $15,000.

In response to the Cholera outbreak the Company donated various hygiene safety materials and food stuffs valued at $10,000, to the Ministry of Health and Childcare to help the health professionals from across the country assigned to assist in containing the outbreak.

The Company continued to sponsor the Environmental Reporter of the Year Awards and the National Journalism and Media Awards Tourism Reporter of the Year.

In maintaining its thrust on wellness and nutrition the Company continued its partnership with the Community Capacity Building Initiative Centre for Africa. The initiative was taken to Mbare High School and Glen Norah 2 High School. The children and their teachers were trained at the Rainbow Towers Hotel & Conference Centre nutrition garden on how to develop and manage sustainable Nutrition Gardens at their school.

The Company donated 10 tonnes of maize meal and 150 brand new blankets in response to the Cyclone Idai national disaster which struck Chimanimani and some parts of Manicaland in March 2019. The donation was channelled through the Zimbabwe Red Cross Society and the Ministry of Local Government, Public Works and National Housing.

7. DIVIDEND

The Board is pleased to declare a dividend of 0.041 cents per share payable in respect of all ordinary shares of the Company. The dividend is in respect of the financial year ended 31 December 2018 and will be payable in full to all the shareholders of the Company registered at the close of business on 17 May 2019. The payment of this dividend will take place on or about 23 May 2019. The shares of the Company will be traded cum–dividend on the Zimbabwe Stock Exchange up to the market day of 14 May 2019 and ex–dividend as from 15 May 2019.

This is the first cash dividend payout since listing of the Company in 1999 and follows the dividend in specie declared in 2006. Payment of this dividend is predicated on the directors assement that the Company is now strong and has sound fundamentals.

8. OUTLOOK

RTG is now ready to grow. The Company will pursue an asset-light growth model. We will grow the existing rooms portfolio as well as pursue new revenue streams whilst exploiting the benefits of innovation on the ICT front.

In 2019, the Company created two tour operating arms specialising on inbound and outbound travel. Exotic Travel International (ETI), a new subsidiary based in New York City, USA (United State of America) is in the business of selling destinations across the world to Americans. The local arm Heritage Expeditions Africa is selling packages for destinations around the country and the region. The two businesses represent new revenue streams that tap into latent demand for transporting and providing activities to a growing tourism customer base.

The Company has invested in a mobile and web application: The Gateway Stream. This presents an opportunity for the Company to leverage its revenue generation using information and communications technologies (ICTs) platforms and infrastructure.

9. ACKNOWLEDGMENTS

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 and members of 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.

S.T. BIYAM
CHAIRMAN

25 April 2019

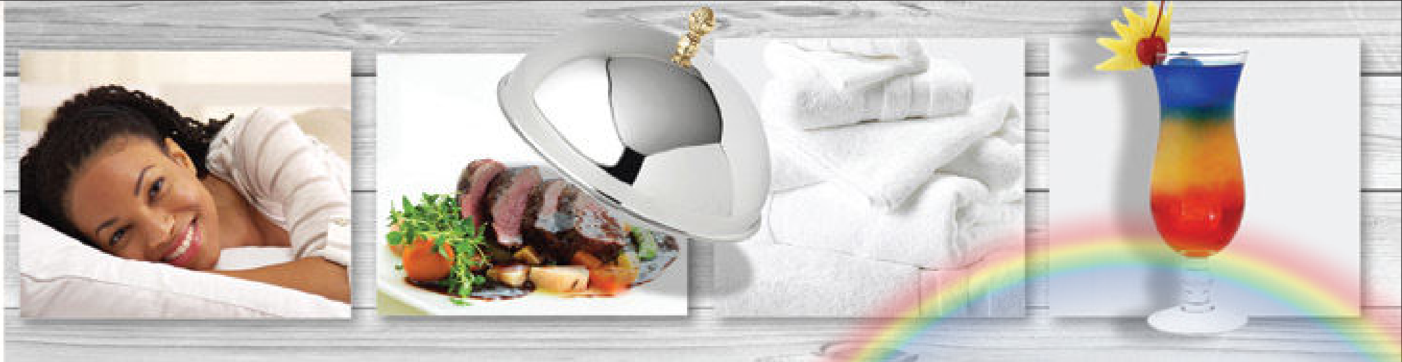
AUDITORS' STATEMENT

These abridged financial statements should be read in conjunction with the full set of audited financial statements of Rainbow Tourism Group Limited for the year ended 31 December 2018, which have been audited by Independent Auditors, Messrs Grant Thornton Chartered Accountants. The audit opinion on the Company's financial statements is an adverse opinion because of non-compliance with International Accounting Standard 21, The Effects of Changes in Foreign Exchange Rates. The audit report includes a section on key audit matters comprising of revenue recognition, 6% non-convertible debentures, expected credit risk allowance and valuation of property and equipment.

The Independent Auditors' report on the financial statements is available for inspection at the Company's registered office.

Grant Thornton

30 April 2019



RAINBOW TOURISM GROUP LTD

Abridged Audited Financial Statements For the Year Ended 31 December 2018

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	31.12.18 US$	31.12.17 US$
ASSETS			
Non current assets			
Property and equipment	4	43 365 221	35 936 189
Intangible assets	5	296 021	137 037
Biological assets		8 096	8 225
Deferred tax asset	6	-	354 273
		43 669 338	**36 435 724**
Current assets			
Inventories	7	2 338 890	2 538 914
Trade and other receivables	8	6 254 048	5 748 559
Other financial assets		3 100 952	14 638
Cash and bank balances	9	1 433 463	968 016
		13 127 353	**9 270 127**
Total assets		**56 796 691**	**45 705 851**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		249 550	187 050
Share premium		10 227 505	4 477 505
Non distributable reserve		16 711 500	16 711 500
Other capital reserve		244 999	279 999
Revaluation reserve		9 316 779	2 985 217
Accumulated losses		(7 735 628)	(12 192 758)
Total equity		**29 014 705**	**12 448 513**
Non Current liabilities			
Borrowings	10	16 687 500	-
Deferred tax liability	6	1 710 603	-
		18 398 103	**-**
Current liabilities			
Borrowings	10	-	14 008 995
Trade and other payables	11	8 587 503	18 286 745
Bank overdraft	9	796 380	961 598
		9 383 883	**33 257 338**
Total liabilities		**27 781 986**	**33 257 338**
Total equity and liabilities		**56 796 691**	**45 705 851**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Note	31. 12. 18 US$	31. 12. 17 US$
Revenue	14	34 306 229	27 000 224
Cost of sales		(11 195 446)	(9 251 306)
Gross profit		**23 110 783**	**17 748 918**
Other operating income	15	3 313 189	964 391
Operating expenses	16	(17 177 119)	(14 420 404)
Earnings before interest, tax, depreciation and amortisation		**9 246 853**	**4 292 905**
Depreciation and amortisation		(2 541 104)	(2 415 595)
Profit from operations		**6 705 749**	**1 877 310**
Finance expense		(1 122 611)	(1 324 180)
Profit before tax		**5 583 138**	**553 130**
Income tax charge		(573 283)	(440 865)
Profit after tax		**5 009 855**	**112 265**
Earnings per share	17		
Basic earnings per share (US cents)		0.204	0.006
Other comprehensive income:			
Profit after tax		**5 009 855**	**112 265**
Items that will be re-classified subsequently to profit or loss			
Gain on property revaluation net of tax		6 331 562	-
Total comprehensive income for the year		**11 341 417**	**112 265**

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Note	31. 12. 18 US$	31. 12. 17 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before working capital changes	12	**5 968 665**	**3 298 745**
Decrease/(increase) in inventories		200 024	(176 690)
Increase in accounts receivable		(505 489)	(20 326)
(Decrease)/increase in accounts payable		(1 518 985)	1 307 318
Cash generated from operations		**4 144 215**	**4 409 047**
Finance income		75 404	72 081
Other operating income		3 277 872	929 391
Interest paid		(1 198 015)	(1 396 261)
Net cash generated from operations		**6 299 476**	**4 014 258**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on purchase of property and equipment		(2 172 443)	(1 238 986)
Development of intangible assets		(187 795)	(59 622)
Payments on purchase on biological assets		(8 961)	(8 225)
Purchase of stock market investments		(3 100 328)	-
Proceeds from sale of financial assets		13 968	-
Proceeds from sale of property and equipment		152 075	15 927
Income tax paid		(123 351)	-
Net cash utilised in operations		**(5 426 835)**	**(1 290 906)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from rights issue linked to debentures		16 687 500	-
Repayment of borrowings from rights issue linked to debentures		(13 640 349)	-
Repayment of other borrowings		(368 646)	(2 484 245)
Capital raising transaction costs		(552 725)	-
Payments of overdue creditors from proceeds of rights issue		(8 180 256)	-
Proceeds from rights issue of ordinary shares		5 812 500	-
Net cash outflow from financing activities		**(241 976)**	**(2 484 245)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**630 665**	**239 107**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**6 418**	**(232 689)**
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	**637 083**	**6 418**

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Share capital US$	Share premium US$	Non distributable reserve US$	Other capital reserve US$	Revaluation reserve US$	Accumulated losses US$	Total equity US$
Balance at 1 January 2018	**187 050**	**4 477 505**	**16 711 500**	**279 999**	**2 985 217**	**(12 192 758)**	**12 448 513**
Total comprehensive income	-	-	-	-	6 331 562	5 009 855	11 341 417
Issue of shares through a rights issue	62 500	5 750 000	-	-	-	(552 725)	5 259 775
Realisation of other capital reserve	-	-	-	(35 000)	-	-	(35 000)
Balance at 31 December 2018	**249 550**	**10 227 505**	**16 711 500**	**244 999**	**9 316 779**	**(7 735 628)**	**29 014 705**
Balance at 1 January 2017	**187 055**	**4 477 500**	**16 711 500**	**314 999**	**2 985 217**	**(12 305 023)**	**12 371 248**
Total comprehensive income for the year	-	-	-	-	-	112 265	112 265
Transfers with in reserves	(5)	5				-	-
Realisation of other capital reserve	-	-	-	(35 000)	-	-	(35 000)
Balance at 31 December 2017	**187 050**	**4 477 505**	**16 711 500**	**279 999**	**2 985 217**	**(12 192 758)**	**12 448 513**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

1 General information

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

Currency of reference

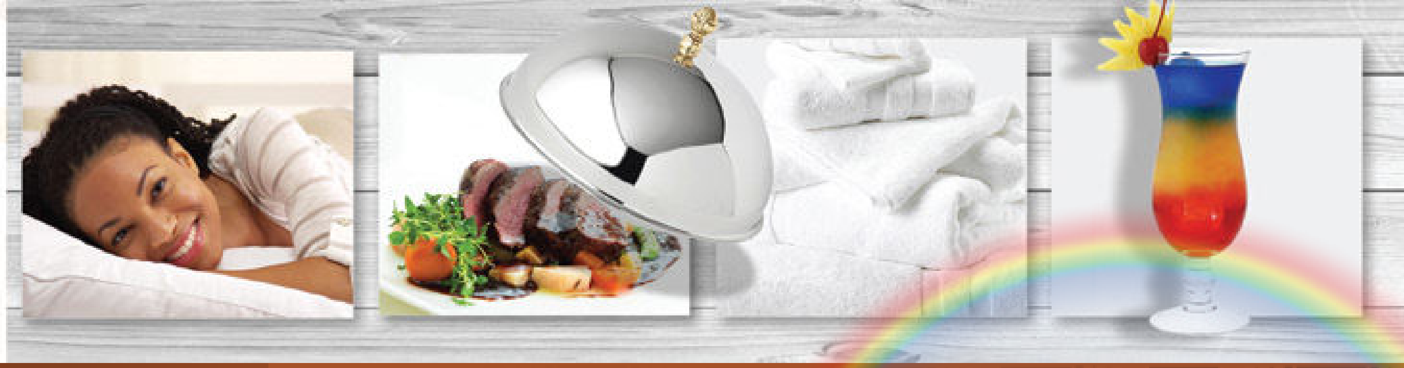
These financial statements are presented in United States Dollars (USD) being the functional and reporting currency of the primary economic environment in which the Company operates. Please refer to the use of estimates and judgements paragraph below which details the considerations made in determining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

In 2009, the Government introduced the multi-currency regime. The United States Dollar (USD) became the principal trading currency and was accepted as both the functional and presentation currency by most entities in Zimbabwe including the Company. Due to the shortages of foreign currency, which started in 2016 the Reserve Bank Of Zimbabwe introduced significant monetary and exchange control policies between 2016 to date. The following are some of the major policies introduced:

i. Introduction of government directives to open the Real Time Gross Settlement System (RTGS) to use other currencies (i.e. ZAR etc.) and the requirement for entities to further adopt and embrace multi-currencies.
ii. Introduction of $200 million worth of bond notes in addition to the bond coins initially issued at 1:1 rate to the USD.
iii. Promulgation of new legislation in the form of statutory instruments 122A of 2017 that defines currency to include bond notes and coins only for the purposes of the regulations. Statutory Instrument 122A of 2017 was crafted with the objective of curbing illegal dealings in currency and giving the police special powers to confiscate the currency notes.
iv. Priority listing of foreign payments which brought an impact on the timing of settlement of foreign payables.
v. The seperation of RTG FCA accounts and Nostro accounts with effect from 15 October 2018.

The shortage of US$ 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, the directors had to make an assessment to determine whether the use of the USD as the Company's functional currency is still appropriate and are the financial statements complying with the guidelines of IAS 21. The different models of settlement does not result in change in functional currency. The board concluded that the USD is still the

RAINBOW TOURISM GROUP LTD



Abridged Audited Financial Statements For the Year Ended 31 December 2018

functional currency for the Company and the RTGS$ for year under review was pegged at 1:1 with the US$.

These audited abridged financial statements were approved for issue by the Board of Rainbow Tourism Group Limited on 25 April 2019

2 Accounting policies

The Company reports in terms of International Financial Reporting Standards (IFRSs). The principle accounting policies of the Company have been applied consistently in all material respects with those of previous years.

3 Statement of compliance

The abridged financial results have been prepared using accounting policies consistent with international financial reporting standards (IFRSs) and international accounting standards (IASs) the same accounting policies, presentation and methods followed in the abridged financial results are as applied in the Company's latest financial statements. The Company has partially complied with IFRSs due to the requirements to comply with statutory instrument 33 of 2019.

		31. 12. 18 US$	31. 12. 17 US$
4	**Property and equipment**		
	Opening carrying amounts	35 936 189	37 073 151
	Additions to property and equipment	2 172 443	1 238 986
	Revaluation	7 914 452	-
	Depreciation charge	(2 541 105)	(2 354 790)
	Carrying amounts of disposed assets	(116 758)	(21 158)
	Closing carrying amounts	**43 365 221**	**35 936 189**

Land and buildings has been pledged as security for borrowings. There is a notarial general covering bond over The Company's movable assets.

		31. 12. 18 US$	31. 12. 17 US$
5	**Intangible assets**		
	Opening carrying amounts	137 037	103 220
	Additions	187 795	59 622
	Amortisation charge	(28 811)	(25 805)
	Closing carrying amounts	**296 021**	**137 037**
6	**Deferred tax reconciliation**		
	Balance at beginning of the year	(354 273)	(795 138)
	Temporary differences on property & equipment	5 817 090	93 434
	Temporary differences on property & equipment revaluation	(1 582 890)	-
	Originating differences on assessed losses	(2 169 397)	347 431
	Balance at the end of period	**1 710 603**	**(354 273)**
7	**Inventories**		
	Food and beverage	401 331	481 331
	Service stocks	1 803 796	1 740 192
	Other stocks	133 763	317 391
		2 338 890	**2 538 914**
8	**Trade and other receivables**		
	Trade receivables	2 214 946	2 240 349
	Prepayments and other	4 039 102	3 508 210
		6 254 048	**5 748 559**

The Company adopted IFRS 9 "Financial instrustment" from 1 January 2018 which resulted in changes in the accouting policy on trade receivables. The Company elected to adopt the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables assets have been grouped based on shared credit risk characteristics and the days past due. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the accounts receivable assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance for trade receivables as at 31 December 2018 was determined as follows:

Trade receivables	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
	USD	USD	USD	USD	USD	USD
Gross carrying amount	870 393	526 386	700 487	155 096	263 849	2 516 210
Average expected loss ate	0.5%	1.5%	2.0%	10.0%	100%	12.0%
Credit loss allowance	4 352	7 896	14 010	15 510	263 849	301 264

		31. 12. 18 US$	31. 12. 17 US$
9	**Cash and cash equivalents**		
	For the purpose of the statement of cash flows, cash and cash equivalents comprise the following		
	Cash and bank balances	1 433 463	968 016
	Bank overdraft	(796 380)	(961 598)
		637 083	**6 418**
10	**Borrowings**		
	6% Non-convertible debentures	16 687 500	-
	Local borrowings	-	14 008 995
		16 687 500	**14 008 995**

On 21 February 2018, RTG issued 6% Non-convertible debentures with a 7 year tenure. The debenture's coupon is payable bi-annually. The instrument is listed as debt instruments on Zimbabwe Stock Exchange. The proceeds of the instrument were used to repay the NSSA loan. The debentures are secured over the Company's immovable asserts. The Company is up to date with the coupon payments.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018 (Continued)

		31.12. 18 US$	31. 12. 17 US$
11	**Trade and other payables**		
	Trade payables	6 319 550	14 618 790
	Provisions and other	2 267 953	3 667 954
		8 587 503	**18 286 744**
12	**Cashflow from operating activities**		
	Profit before tax	5 583 138	553 130
	Depreciation & amortisation charges	2 576 105	2 345 595
	Other income	(3 277 872)	(929 391)
	(Profit)/loss on disposals	(35 317)	5 231
	Finance costs	1 198 015	1 396 261
	Finance income	(75 404)	(72 081)
	Operating profit before working capital changes	**5 968 665**	**3 298 745**
13	**Capital expenditure commitments**		
	Contracted	1 267 856	845 000
	Authorised but not contracted	514 687	937 543
		1 782 543	**1 782 543**
14	**Revenue**		
	Rooms revenue	16,336,628	12,419,145
	Food, beverages and conferencing	17,438,582	14,153,789
	Other operating activities	531,019	427,290
		34 306 229	**27 000 224**
15	**Other Income**		
	Rental from tenants	528 114	488 114
	Sundry income	2 785 075	476 277
		3 313 189	**964 391**

Included in sundry income is $2 502 268 debt recovery from Capital Bank.

		31.12. 18 US$	31. 12. 17 US$
16	**Operating expenses**		
	Administrative expenses	(9 833 000)	(7 884 871)
	Distribution expenses	(3 176 189)	(2 793 095)
	Other operating expenses	(4 167 930)	(3 742 438)
		(17 177 119)	**(14 420 404)**
17	**Earnings per share**		
	Number of shares (000s)		
	Authorised shares of 0.01 cents each	2 500 000	2 500 000
	Issued and fully paid shares of 0.01 cents each	2 459 537	1 870 496
17.1	**Basic earnings per share**		
	Profit attributable to shareholders	5 009 855	112 265
	Weighted average number of shares in issue(000s)	1 870 496	1 870 496
	Rights issue weighted shares	589 041	-
		2 459 537	**1 870 496**
	Basic earnings per share(US cents)	0.204	0.006
17.2	**Headline earnings per share continuing operations**		
	Profit attributable to shareholders	5 009 855	112 265
	(Profit)/loss on sale of assets	(35 317)	5 231
		4 974 538	**117 496**
	Weighted average number of shares in issue(000s)	2 459 537	1 870 496
	Headline earnings per share(US cents)	0.204	0.006

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018 (Continued)

17.3 Fair Value Determination of Transaction, Assets and Liability

The determination of fair values presented in the financial statements is affected by the prevailing economic environment. During the course of the year the Company traded in both local RTGS dollar and US dollar. Foreign currency (US$) revenue contribution closed on 30% to total revenues for the year. Throughout the year the official rate between the US dollar and RTGS balances (RTGS electronic balances, bond coins and notes) was pegged officially at 1:1. The board has concluded that the valuation of Nostro balances and foreign currency assets and liabilities as at 31 December was on the 1:1 basis.

During the course of the year, the Company's pricing for goods and services remained unchanged for the first nine months to September 2018. In the last quarter of the year, the country witnessed an increase in inflation from 5% to 42.09% being driven by the fluctuation of the RTGS balances and bond notes against the US$ and Nostro FCA balances on the parallel market exchange. In response to inflationary pressures, the Company adjusted its prices by between 50% and 150% in line with developments in the market. The prices to foreigners was not affected.

As at 31 December 2018, the Company's had monetary assets and liabilities denominated in foreign currency: Cash and bank balances of US$ 581 449, Trade Debtors balances of US$781 081, trade payable balances of US$234 345.

18 Events after the reporting date

18.1 On 20 February 2019, the Government through the Reserve of Zimbabwe announced a new currency of reference the 'Real Time Gross Settlement Dollar (RTGS$)' made up of RTGS$ balances in electronic form and bond note and coins. Statutory Instrument (SI) 33 was enacted which set out the new currency as part of the multi-currrency regime. The RBZ also introduced the interbank rate that allows traders to access foreign currency on a willing-buyer willing-seller basis. The Company has adopted the RTGS$ as its reporting currency from 2019 onwards.

18.1 Continued...

A sensitivity analysis for events after the reporting period for the financial year ended 31 December 2018 is shown below:

	COMPONENTS OF REPORTED AMOUNTS			SENSITIVITY ANALYSIS			
Element	Monetary Assets/ Liabilities Nostro FCA USD	Monetary Assets/ Liabilities Nostro FCA RTGS $	Non-monetary Assets/ Liabilities Nostro FCA USD	Total translated at a rate of US$1:RTGS$1	Total RTGS $ translated at a rate of US$1:RTGS$2.5	Total RTGS $ translated at a rate of US$1:RTGS$3.5	Total RTGS $ translated at a rate of US$1:RTGS$4
ASSETS							
Property and equipment	-	-	43 365 221	43 365 221	43 365 221	43 365 221	43 365 221
Intangible assets	-	-	296 021	296 021	296 021	296 021	296 021
Biological assets	-	-	8 096	8 096	8 096	8 096	8 096
Inventories	-	-	2 338 890	2 338 890	2 338 890	2 338 890	2 338 890
Trade and other receivables	781 081	5 472 967	-	6 254 048	7 425 670	8 206 751	8 597 291
Other financial assets	-	3 100 952	-	3 100 952	3 100 952	3 100 952	3 100 952
Bank and cash balances	581 449	852 014	-	1 433 463	2 305 637	2 887 086	3 177 810
Total assets	**1 362 530**	**9 425 933**	**46 008 228**	**56 796 691**	**58 840 486**	**60 203 016**	**60 884 281**
EQUITY AND LIABILITIES							
SHARHOLDERS' EQUITY							
Share capital	-	249 550	-	249 550	249 550	249 550	249 550
Share premium	-	10 227 505	-	10 227 505	10 227 505	10 227 505	10 227 505
Non-distributable reserve	-	16 711 500	-	16 711 500	16 711 500	16 711 500	16 711 500
Revaluation reserve	-	9 316 778	-	9 316 778	9 316 778	9 316 778	9 316 778
Other capital reserve	-	244 999	-	244 999	244 999	244 999	244 999
Accumulated losses	-	(7 735 628)	-	(7 735 628)	(7 735 628)	(7 735 628)	(7 735 628)
Foreign currency translation reserve - balancing figure	-	-	-	-	1 692 277	2 820 463	3 384 555
Total shareholders' equity	**-**	**29 014 704**	**-**	**29 014 704**	**30 706 981**	**31 835 167**	**32 399 259**
LIABILITIES							
6% non-convertible debentures	-	16 687 500	-	16 687 500	16 687 500	16 687 500	16 687 500
Deferred tax liability	-	1 710 603	-	1 710 603	1 710 603	1 710 603	1 710 603
Trade and other payables	234 345	8 353 159	-	8 587 504	8 939 022	9 173 367	9 290 539
Bank overdraft	-	796 380	-	796 380	796 380	796 380	796 380
Total liabilities	**234 345**	**27 547 642**	**-**	**27 781 987**	**28 133 505**	**28 367 850**	**28 485 022**
Total equity and liabilities	**234 345**	**56 562 346**	**-**	**56 796 691**	**58 840 486**	**60 203 016**	**60 884 281**

18.2 Dividend declaration

The Board declared a final dividend of US$1 000 000 payable in respect of all ordinary shares of the Company. The dividend is in respect of the financial year ended 31 December 2018 and will be payable in full to all the shareholders of the Company registered at the close of business on 17 May 2019.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

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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 8 to 35, which comprise the statement of financial position as at 31 December 2018, 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, because of the significance of the matter described in the Basis for Adverse Opinion section of our report, the financial statements do not present fairly, in all material respects, the financial position of Rainbow Tourism Group Limited as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates

As explained in **note 29**, the Company was operating in a 'multi-tiered' pricing environment during the period under review, where settlement of transactions was dependent on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes. This 'multi-tiered' pricing environment resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21, would apply. Under IAS 21, the Company should have applied a spot rate in accounting for transactions as they may have experienced premiums and discounts on the foreign exchange rate of 1:1 between RTGS balances and bond notes and the USD.
Had the Company complied with the requirements of IAS 21, many elements in the accompanying financial statements would have been materially affected. As a result, the impact of the entity's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements of non-compliance with IAS 21 are considered material and pervasive to the financial statements as a whole.

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.

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
6% non-convertible debentures The Company has 6% non-convertible debentures equivalent to 29% of the Company's total assets. The non-convertible debentures are secured by mortgage bonds that were registered over the Company's land and buildings. Refer to note 13 to the financial statements. The key audit matter in this regard pertains to the following: • Classification into current, non-current; • Measurement; and • Disclosure.	• Obtained the Debenture Trust Deed in order to verify the coupon rate per annum, number of debentures and the price per debenture. • Recalculated the principal and interest portion of the 6% non-convertible debentures and compared with management estimates to verify accuracy of the amounts included in the financial statements. • Reviewed the terms and conditions included in the Debenture Trust Deed to ascertain whether there was a portion of the debenture to be classified as short-term.. • Reviewed the financial statements to ascertain whether the debentures 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 debentures, including any encumbrances against assets. • Inspected minutes of board meetings to confirm completeness of the Company's borrowings. • In our view, the measurement, presentation and disclosures made by management in the financial statements regarding debentures is adequate.
Revenue and receivables **IFRS 15 Revenue from Contracts Customers** • There is a presumed risk of inappropriate revenue recognition specifically identified in ISA 240 (R), 'The auditors' responsibility to consider fraud in the audit of financial statements'. This is a significant risk and	• Reviewed that revenue recognition criteria is appropriate and in line with the requirements of IFRS 1. • Performed cut-off tests on year end balances to ensure revenue is recognised in the correct period. • Our audit procedures included testing of design,

accordingly a key audit matter.	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.
IFRS 9 Expected credit risk allowance This was considered a key audit matter as IFRS 9 is a new and complex accounting standard which requires significant judgment to determine the impairment reserve. Key areas of judgment included: • The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company's expected credit loss model; • The identification of exposures with a significant deterioration in credit quality; • Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors (e.g. exchange rates, interest rates, gross domestic product growth, inflation). The need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.	Our audit procedure in assessing management's allowance for credit losses included the following: • We performed an assessment of the modeling techniques and methodology used against the requirements of IFRS 9; • We assessed and tested the material modeling assumptions with a focus on the: i. Key modeling assumptions adopted by the Company; ii. Basis for and data used to determine debtor's categories; and iii. Reliability of the historical data collected. • We examined a sample of exposures and performed procedures to evaluate the: i. Timely identification of exposures with a significant deterioration in credit quality. ii. Expected loss calculation for exposures assessed on an individual basis. • We assessed the accuracy of the disclosures in the financial statements. Based on our audit work performed and the assumptions used by management the rates calculated were appropriate and reflected the current environment.
Valuation of property and equipment Rainbow Tourism Group has property and equipment with a carrying value of	• Our procedures included considering whether there was an event or a change in circumstance that may have occurred during the period

USD 43 365 221. Included in this amount is an amount of **USD 7 914 452** relating to the revaluation of land and buildings during the year done by an independent external valuer. The valuation of property and equipment involves judgement and assumptions and is therefore one of the key judgemental areas on which our audit was concentrated.	under review to indicate that assets may not be recoverable. • Our procedures in relation to the independent valuer included evaluating the independent external valuer's competence, capabilities and objectivity. • Verified, on a sample basis, the accuracy and relevance of the input data provided by management to the external valuer. • Reviewed the financial statements to ascertain whether the necessary adjustments and related disclosures had been captured correctly. • Based on available evidence we found management's assumptions in relation to the valuation of property and equipment to be to be consistent with the findings of the independent external valuer. We found the disclosures in **note 5** to be appropriate and reasonable.

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 International Financial Reporting Standards (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, except for the matter described in the Basis for Adverse Opinion paragraph, 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 Edmore Chimhowa.

Grant Thornton

Edmore Chimhowa
Partner

Registered Public Auditor (PAAB No: 0470)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

30 April 2019

HARARE