RTG

RAINBOW TOURISM GROUP LTD

Refreshing hotels, Amazing experiences...

RAINBOW TOURISM GROUP LIMITED

AUDITED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FULL YEAR ENDED 31 DECEMBER 2022

PERFORMANCE HIGHLIGHTS

▲ 131%	REVENUE	ZW$24.5 billion	INFLATION ADJUSTED
▲ 622%	REVENUE	ZW$17.3 billion	HISTORICAL COST
▲ 65%	OCCUPANCY	51%	
▲ 212%	REVPAR	ZW$41,749	
▲ 29%	EBITDA	ZW$2.7 billion	INFLATION ADJUSTED
▲ 113%	PROFIT FROM OPERATIONS	ZW$2.3 billion	INFLATION ADJUSTED

CHAIRMAN'S STATEMENT

1. INTRODUCTION

I am pleased to report that the Group achieved yet another profitable set of financial results. The Group's financial performance as read together with the performance recorded over the past years is testament to a strong and viable business with a sustainable growth trajectory. Our revenues and occupancies are now performing above pre-COVID-19 pandemic levels. Given the uncertainty and volatility characterizing the Zimbabwean business landscape, the Group had to consistently implement various strategies aimed at maintaining profitability. Overall, the business has remained financially and operationally sound, largely as a result of the following:

- Identification and exploitation of opportunities in diversified non-hotel undertakings such as the Gateway Stream mobile application and the Group's tour operations arm: Heritage Expeditions Africa. The new operations have together contributed 10% of the Group's turnover.
- Committed employees who have weathered the storm of a difficult operating environment as well as the effects and after-effects of the Covid-19 pandemic.
- Consistent refurbishment and upgrade of the Group's hotels to ensure the Group's product portfolio is moving in line with world-class standards.
- Activating various strategies aimed at ensuring that our customer service standards result in the consistent delivery of refreshing guest experiences.

I would like to pay tribute to our employees, who demonstrated a high degree of commitment throughout the COVID-19 pandemic to this day where they continue to deliver excellent service of a world class standard.

The Group closed the year with a profit from operations margin of 9%. The positive growth reported in 2022 is expected to continue into 2023 as the world tourism activities return to pre-Covid-19 Pandemic levels. The Group has recorded a sustained recovery of international tourists in 2022 and the trend is projected to accelerate going forward.

2. OPERATING ENVIRONMENT

Our transition over the past years coincided with world-shifting events such as the COVID-19 pandemic and escalating geopolitical tensions around the world. These events have far-reaching effects on global inflation, international travel, logistics and supply chains, food and energy security as well as economic growth, the impact of which have filtered through into the local operating environment.

On the local front, the macro-economic environment has remained inflationary mainly driven by the depreciation of the local currency. This has resulted in price increases in the market which have occasioned a notable threat to the Group's margins. On a positive note, the growth in foreign currency receipts to Zimbabwe from US$9.9 billion in 2021 to US$11.6 billion in 2022 is clear evidence that the tourism sector is on a path towards recovery.

3. PERFORMANCE REVIEW

Occupancy for the period under review closed at 51% which is a 65% increase from the 31% posted in 2021. As noted earlier the Group is now operating at above 2019 levels. Volumes improved significantly during the year under review buoyed by accommodation, outside catering, Heritage Expeditions Africa activities as well as Gateway stream revenue channels such as online shopping and the music application. City hotels conferencing business recorded positive performance during the year.

The Group posted revenues of ZW$24.5 billion, 131% above ZW$10.6 billion posted in 2021. Despite increased pressure from inflation, the Group's gross margins for the year under review remained unchanged at 70% compared to full year 2021. The improvement in gross profit margins is attributable to cost reduction measures that were put in place to mitigate the effects of increasing prices in the market.

The Group posted an Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of ZW$2.7 billion during the year under review which was 29% above the $2.1 billion posted in 2021. Strong revenue performance coupled with a relentless grip on costs were key drivers to a healthy EBITDA performance.

The Group's statement of financial position remains strong. The current ratio closed the year on 0.86 from 1.94 reported as at 31 December 2021.

Financial indices	DEC 2022	DEC 2021
Gearing Ratio	1%	1%
Current Ratio	0.86	1.94
Acid Test	0.70	1.76

4. SUSTAINABILITY

The Group's sustainability thrust is underpinned by a desire to meet the business' profitability ambition while safeguarding, preserving and protecting the economy, the environment and society. During the year, the Group successfully installed a 300 KVA hybrid solar system at the Kadoma Hotel and Conference Centre. This solar system comprises a 100 KVA battery system to provide energy during times of power cuts, as well as a 200KVA grid tie system directly feeding into the national grid. This investment in green energy has significantly reduced the hotel's energy bill. Going forward, the Group will roll out the same projects at its other properties.

The Group founded the Environmental Reporter of the Year awards which recognize the efforts of journalists who focus on sustainability and climate change issues. The awards are held annually in partnership with Environment Africa. A total of nine outstanding journalists were recognized and received monetary awards for creating national awareness on matters about the environment. In addition, the company has invested over ZW$50 million to various institutions in Harare, Kadoma and Bulawayo including orphanages, hospitals and schools during the year.

5. DIVIDEND

On behalf of the board of Directors, I am pleased to advise shareholders that the Group has declared a final dividend of ZW$500 million out of which US$250,000 will be paid in foreign currency and the balance in local currency. This will bring the total dividend to shareholders for the year to ZW$880 million (equivalent to US$1.5 million), of which US$500,000 is in foreign currency. A notice with details of the dividend payment will be issued in the press.

6. OUTLOOK

Financial sustainability underpins our shift to value protection and creation. This requires an unwavering focus on disciplined, profitable growth that enables the Group to invest in the future while providing an acceptable return to shareholders. Building a sustainable balance sheet with manageable levels of debt remains a primary material matter for RTG.

The Group managed to extinguish its debt and maintained a robust plan to ensure the existing solid working capital base is sustained. We do not believe these positive developments are aptly reflected in RTG's share price which currently trades at a discount to its net asset value. The Board is considering various options that are designed to increase value for shareholders such as the following;

6.1 Expansion of the Group's hotels portfolio in carefully selected areas around Zimbabwe.

6.2 A focus on technology and digitisation through the activation and expansion of the Gateway Stream mobile application.

6.3 A focus on expanding the Group's reach in the tourism value chain through investment in the tour operations and Heritage Expeditions Africa.

7. 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 my fellow members of 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.

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D. HOTO
CHAIRMAN

30 March 2023

INDEPENDENT EXTERNAL AUDITOR STATEMENT

The abridged audited financial results should be read in conjunction with the complete set of audited consolidated financial statements of Rainbow Tourism Group Limited and its subsidiary for the year ended 31 December 2022 which have been audited by BDO Zimbabwe Chartered Accountants in accordance with International Standards on Auditing. The audit report carries a Qualified opinion with respect to non-compliance with International Financial Reporting Standard 16- Leases (IFRS 16). The auditor's report on the consolidated financial statements, which forms the basis of these abridged financial results, is available for inspection at the Group's registered office. The Engagement Partner responsible for the audit is Mr. Martin Makaya (PAAB 0407).

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		INFLATION ADJUSTED		HISTORICAL COST	
	Notes	31.12.22 ZW$	31.12.21 ZW$	31.12.22 ZW$	31.12.21 ZW$
ASSETS					
Non current assets					
Property and equipment	4	26 916 847 607	12 587 038 837	24 661 271 045	3 661 578 815
Intangible assets	5	172 932 010	67 350 360	172 932 010	19 592 269
Right of use assets	7	15 596 722 888	2 213 824 310	15 596 722 888	644 003 113
		42 686 502 505	**14 868 213 507**	**40 430 925 943**	**4 325 174 197**
Current assets					
Inventories	8	1 045 378 564	305 105 175	575 618 852	88 755 319
Trade and other receivables	9	3 922 756 495	2 223 626 661	3 922 756 495	646 854 624
Financial assets		547 044	541 441	547 044	157 506
Cash and bank balances		507 345 899	759 720 058	507 345 899	221 003 121
		5 476 028 002	3 288 993 335	5 006 268 290	956 770 570
Total assets		**48 162 530 507**	**18 157 206 842**	**45 437 194 233**	**5 281 944 767**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital		57 510 532	57 510 532	249 550	249 550
Share premium		2 131 155 506	2 131 155 506	10 227 505	10 227 505
Revaluation reserve		19 158 320 300	10 902 832 524	19 537 568 662	3 171 641 965
Retained earnings		1 181 835 486	1 077 845 076	255 439 833	429 659 873
Total equity		**22 528 821 824**	**14 169 343 638**	**19 803 485 550**	**3 611 778 893**
Non current liabilities					
Lease liabilities	7	13 376 836 444	1 648 778 204	13 376 836 444	479 630 787
Deferred tax liability	6	4 590 794 636	646 620 024	4 590 794 636	356 049 654
		17 967 631 080	**2 295 398 228**	**17 967 631 080**	**835 680 441**
Current liabilities					
Borrowings	11	-	6 081 429	-	1 769 092
Trade and other payables	12	6 075 942 319	1 160 602 226	6 075 942 319	639 064 683
Bank overdraft	10	220 086 566	150 958 979	220 086 566	43 914 077
Tax payable		92 434 894	156 706 171	92 434 894	86 287 427
Lease liabilities	7	1 277 613 824	218 116 171	1 277 613 824	63 450 154
		7 666 077 603	1 692 464 976	7 666 077 603	834 485 433
Total liabilities		**25 633 708 683**	**3 987 863 204**	**25 633 708 683**	**1 670 165 874**
Total equity and liabilities		**48 162 530 507**	**18 157 206 842**	**45 437 194 233**	**5 281 944 767**

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		INFLATION ADJUSTED		HISTORICAL COST	
	Notes	31.12.22 ZW$	31.12.21 ZW$	31.12.22 ZW$	31.12.21 ZW$
Revenue	14	**24 521 819 371**	**10 612 503 788**	**17 283 887 935**	**2 392 408 627**
Cost of sales		(7 480 967 836)	(3 152 967 083)	(5 489 903 320)	(710 782 847)
Gross profit		**17 040 851 535**	**7 459 536 705**	**11 793 984 615**	**1 681 625 780**
Other operating income	15	408 427 861	1 032 650 511	349 915 960	232 793 509
Operating expenses	16	(14 705 890 434)	(6 363 496 908)	(10 931 095 844)	(1 434 542 236)
Earnings before interest, tax, depreciation and amortization		**2 743 388 962**	**2 128 690 308**	**1 212 804 731**	**479 877 053**
Depreciation and amortization		(449 876 687)	(1 049 861 132)	(260 612 437)	(236 673 351)
Profit from operations		**2 293 512 275**	**1 078 829 176**	**952 192 294**	**243 203 702**
Finance expense		(120 426 116)	(40 893 222)	(78 425 395)	(15 644 799)
Net monetary loss		(637 097 846)	(211 964 726)	-	-
Profit before tax		**1 535 988 313**	**825 971 228**	**873 766 899**	**227 558 903**
Income tax charge		(498 932 253)	(134 551 477)	(498 932 253)	(30 332 344)
Profit after tax		**1 037 056 060**	**691 419 751**	**374 834 646**	**197 226 559**
Other comprehensive income:					
Subsequently to profit or loss					
Gain on property revaluation, net of tax		8 255 487 776	-	16 365 926 697	-
Other comprehensive income, net of tax		**8 255 487 776**	**-**	**16 365 926 697**	**-**
Total comprehensive income for the period		**9 292 543 836**	**691 419 751**	**16 740 761 343**	**197 226 559**
Earnings per share (cents)	17				
Basic earnings per share		42.16	28.11	15.24	8.02
Headline earnings per share		46.86	28.81	17.85	8.18

AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

		INFLATION ADJUSTED		HISTORICAL COST	
	Notes	31.12.22 ZW$	31.12.21 ZW$	31.12.22 ZW$	31.12.21 ZW$
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit before working capital changes	13	**2 880 969 744**	**910 056 279**	**1 277 015 245**	**294 260 342**
Increase in inventories		(740 273 389)	(49 660 721)	(486 478 352)	(61 034 534)
Increase in trade and other receivables		(1 807 586 431)	(520 058 997)	(3 384 358 470)	(425 306 617)
Increase in trade and other payables		4 915 340 094	1 336 109 851	5 033 917 083	208 170 159
Cash generated from operations		**5 248 450 018**	**1 676 446 412**	**2 440 095 506**	**16 089 350**
Finance income		–	(168 352)	–	(37 952)
Investment Income		–	562 095 823	–	126 714 951
Finance costs		(142 427 974)	(69 567 240)	(78 425 395)	(15 682 752)
Income tax paid		(727 994 954)	(167 441 998)	(404 441 641)	(37 746 953)
Net cash generated from operations		**4 378 027 090**	**2 001 364 645**	**1 957 228 470**	**89 336 644**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	4	(1 421 440 500)	(406 334 146)	(782 690 574)	(91 601 128)
Development of intangible assets	5	(66 089 776)	(48 199 152)	(36 391 143)	(10 865 680)
Proceeds from the sale of property and equipment		3 357 243	1 074 736	2 845 121	242 281
Proceeds from the sale of other financial assets		–	1 063 605 554	–	239 771 797
Lease principal repayment		(1 272 045 141)	(854 323 706)	(481 766 898)	(79 876 258)
Net cash (utilised in)/generated from investing activities		**(2 756 218 174)**	**(244 176 714)**	**(1 298 003 494)**	**57 671 012**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		–	(31 682 954)	–	(7 142 383)
Dividend		(933 065 650)	–	(549 054 686)	–
Net cash outflow from financing activities		**(933 065 650)**	**(31 682 954)**	**(549 054 686)**	**(7 142 383)**
Effects of IAS29 restatement		**(1 010 245 012)**	**(1 322 423 825)**	**-**	**-**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(321 501 745)**	**403 081 152**	**110 170 289**	**139 865 273**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		608 761 079	205 679 927	177 089 044	37 223 771
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	10	**287 259 333**	**608 761 079**	**287 259 333**	**177 089 044**

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	INFLATION ADJUSTED				
	Share capital ZW$	Share premium ZW$	Revaluation Reserve ZW$	Retained Earnings ZW$	Total equity ZW$
Balance at 1 January 2021	**57 510 532**	**2 131 155 506**	**10 902 832 524**	**386 425 325**	**13 477 923 887**
Total comprehensive income for the period	–	–	–	691 419 751	691 419 751
Balance at 31 December 2021	**57 510 532**	**2 131 155 506**	**10 902 832 524**	**1 077 845 076**	**14 169 343 638**
Total comprehensive income	–	–	8 255 487 776	1 037 056 060	9 292 543 836
Dividend	–	–	–	(933 065 650)	(933 065 650)
Balance at 31 December 2022	**57 510 532**	**2 131 155 506**	**19 158 320 300**	**1 181 835 486**	**22 528 821 824**

	HISTORICAL COST				
	Share capital ZW$	Share premium ZW$	Revaluation reserve ZW$	Retained Earnings ZW$	Total equity ZW$
Balance at 1 January 2021	**249 550**	**10 227 505**	**3 171 641 965**	**232 433 314**	**3 414 552 334**
Total comprehensive income for the period	–	–	–	197 226 559	197 226 559
Balance at 31 December 2021	**249 550**	**10 227 505**	**3 171 641 965**	**429 659 873**	**3 611 778 893**
Total comprehensive income	–	–	16 365 926 697	374 834 646	16 740 761 343
Dividend	–	–	–	(549 054 686)	(549 054 686)
Balance at 31 December 2022	**249 550**	**10 227 505**	**19 537 568 662**	**255 439 833**	**19 803 485 550**

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Nature of business

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

Currency of reference

These financial statements are presented in Zimbabwean Dollars (ZW$) being the functional and reporting currency of the primary economic environment in which the Group operates.

2. New accounting standards

At the date of authorisation of these consolidated financial statements, several new Accounting Standards and amendments to existing Standards were released and published by the IASB. None of these Standards or amendments to existing Standards have been adopted by the Group as they are not applicable to the Group. and to the industry.

The amendment to International Accounting Standard (IAS) 16 prohibits an Group from deducting from the cost of an item of Property Plant & Equipment any proceeds received from selling items produced while the Group is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in the profit or loss.These amendments had no impact on the year-end consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

International Financial Reporting Standard (IFRS) 3:11 amended to refer to the – 2018 version of the Conceptual Framework for Financial Reporting. IFRS 3 has also been amended in respect of the specific requirements for transactions and other events within the scope of IAS 37 or IFRIC 21: For a provision or contingent liability that would be within the scope of IAS 37, the acquirer shall apply IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21, the acquirer shall apply IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred at the acquisition date. The acquirer shall not recognise a contingent asset at the acquisition date.

3. Basis of preparation

These financial statements has been prepared under the assumption that the Group operates on a going concern basis.

The financial statements for the year ended 31 December 2022 (including comparatives) were approved and authorised for issue by the Board of Directors on 30 March 2023. Amendments to the financial statements are not permitted after approval.

IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date. The restatement has been calculated by means of conversion factors derived from the consumer price index (CPI) prepared by the Reserve Bank of Zimbabwe. The conversion factors used to restate the financial statements at 31 December 2022, using a February 2019 base are as follows;

Period	Index	Inflation factor
31 December 2022	13,673	1
31 December 2021	3,977	3.44
31 December 2020	2,475	5.53

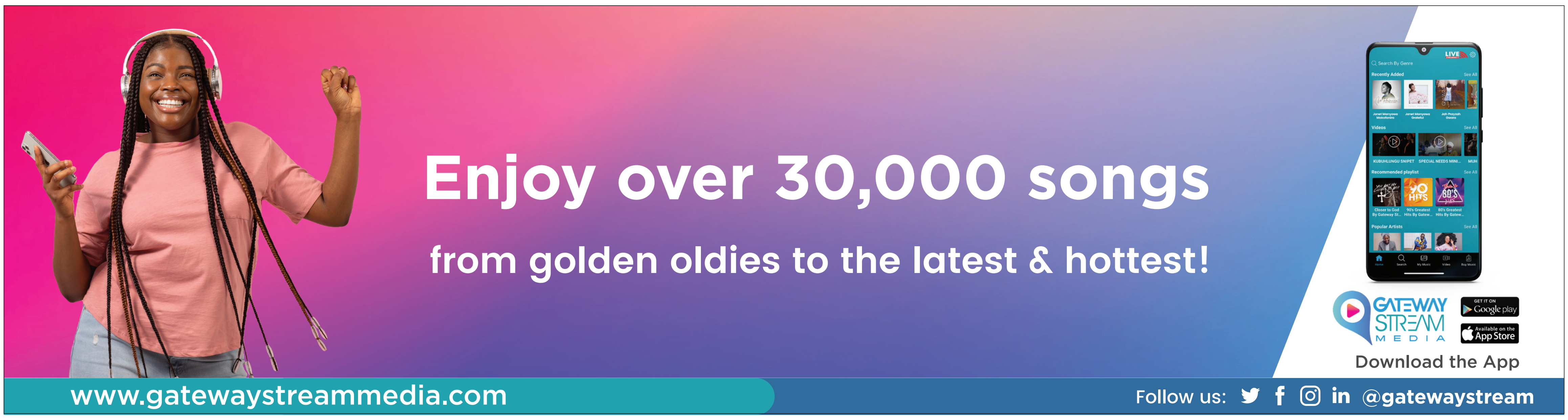
4. Property and equipment

	INFLATION ADJUSTED		HISTORICAL COST	
	31.12.22 ZW$	31.12.21 ZW$	31.12.22 ZW$	31.12.21 ZW$
Opening carrying amount	12 587 038 837	12 953 019 199	3 661 578 815	3 744 082 868
Additions to property and equipment	1 421 440 500	406 334 146	782 690 574	91 601 128
Revaluation	13 406 547 932	–	20 491 315 301	–
Depreciation charge	(376 400 255)	(756 206 889)	(207 258 011)	(170 473 992)
Carrying amounts of disposed assets	(121 779 407)	(16 107 619)	(67 055 634)	(3 631 189)
Closing carrying amount	**26 916 847 607**	**12 587 038 837**	**24 661 271 045**	**3 661 578 815**

All categories of the Group's assets were revalued by an independent valuer as at 31 December 2022 using the market values to determine fair values.

5. Intangible asset

Opening carrying amount	67 350 360	23 834 700	19 592 269	9 782 403
Additions	66 089 776	48 199 152	36 391 143	10 865 680
Revaluations	42 907 006	–	118 829 079	–
Amortization charge	(3 415 132)	(4 683 492)	(1 880 481)	(1 055 814)
Closing carrying amount	**172 932 010**	**67 350 360**	**172 932 010**	**19 592 269**



NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

	INFLATION ADJUSTED		HISTORICAL COST	
	31.12.22	31.12.21	31.12.22	31.12.21
	ZW$	ZW$	ZW$	ZW$
6. DEFERRED TAX				
Analysis of deferred tax				
Property, plant and equipment	4 627 170 497	651 743 616	4 627 170 497	358 870 867
Intangible assets	31 967 820	4 502 713	31 967 820	2 479 337
Leave pay provision	(68 343 681)	(9 626 305)	(68 343 681)	(5 300 550)
	4 590 794 636	**646 620 024**	**4 590 794 636**	**356 049 654**
Deferred tax reconciliation				
Balance at the beginning of the year	646 620 024	482 418 436	356 049 654	265 635 011
Movement through profit or loss	65 777 820	164 201 588	65 777 820	90 414 643
Movement through other comprehensive income	4 168 967 161	–	4 168 967 161	–
Effects of inflation	(290 570 369)	–	–	–
Balance at the end of the year	**4 590 794 636**	**646 620 024**	**4 590 794 635**	**356 049 654**

7. Right of use assets

Opening balance	**2 213 806 310**	**2 398 370 454**	**644 003 113**	**155 014 596**
Depreciation	(84 645 866)	–	(46 608 720)	(41 602 792)
Revaluation of the Lease liability	13 467 562 444	(184 564 144)	14 999 328 495	530 591 309
Closing balance	**15 596 722 888**	**2 213 806 310**	**15 596 722 888**	**644 003 113**

Right of use assets relates to the Company's three leased propoerties which are Rainbow Towers Hotel & Conference Centre, Kadoma Hotel and Conference Centre and New Ambassador Hotel.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset.

Right of use asset	Remaining term	Option for an extention	Payment Index To Revenues
Rainbow Towers Hotel	14 years	Yes	Yes
Kadoma Hotel	15 years	Yes	Yes
New Ambassador Hotel	2 years	Yes	Yes

	INFLATION ADJUSTED		HISTORICAL COST	
	31.12.22	31.12.21	31.12.22	31.12.21
	ZW$	ZW$	ZW$	ZW$
Leases				
Short term	1 277 613 824	218 116 171	1 277 613 824	63 450 154
Long term	13 376 836 444	1 648 778 204	13 376 836 444	479 630 787
	14 654 450 268	**1 866 894 375**	**14 654 450 268**	**543 080 941**

8. Inventories

Food and beverage	518 610 701	151 362 211	285 563 629	44 031 378
Service stocks	275 835 045	80 505 476	151 883 593	23 419 102
Other stocks	250 932 818	73 237 488	138 171 630	21 304 839
	1 045 378 564	**305 105 175**	**575 618 852**	**88 755 319**

9. Trade and other receivables

Trade receivables	3 502 976 488	1 625 004 318	3 502 976 488	472 714 946
Prepayments and other	419 780 007	598 622 343	419 780 007	174 139 678
	3 922 756 495	**2 223 626 661**	**3 922 756 495**	**646 854 624**

To measure the expected credit losses, trade and other 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 2022 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
	ZW$	ZW$	ZW$	ZW$	ZW$	ZW$
Gross carrying amount	1 379 950 361	274 829 208	501 372 279	1 520 153 352	52 747 974	3 729 053 174
Average expected loss rate	0.5%	1.5%	2.0%	10.0%	100.0%	6.1%
Credit loss allowance	**6 899 751**	**4 122 438**	**10 027 446**	**152 015 335**	**52 747 974**	**225 812 944**

10. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	INFLATION ADJUSTED		HISTORICAL COST	
	31.12.22	31.12.21	31.12.22	31.12.21
	ZW$	ZW$	ZW$	ZW$
Cash and bank balances	507 345 899	759 720 058	507 345 899	221 003 121
Bank overdraft	(220 086 566)	(150 958 979)	(220 086 566)	(43 914 077)
	287 259 333	**608 761 079**	**287 259 333**	**177 089 044**

The bank overdrafts are unsecured. The interest rates are pegged at 9% per annum.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

	INFLATION ADJUSTED		HISTORICAL COST	
	31.12.22	31.12.21	31.12.22	31.12.21
	ZW$	ZW$	ZW$	ZW$
11. Borrowings				
Short-term	–	6 081 429	–	1 769 092
	–	**6 081 429**	**–**	**1 769 092**

The Group cleared its short term borrowing facility during the course of the year.

12. Trade and other payables

Trade payables	3 220 249 429	856 101 242	3 220 249 429	563 381 661
Accruals and other payables	2 855 692 890	304 500 984	2 855 692 890	75 683 022
	6 075 942 319	**1 160 602 226**	**6 075 942 319**	**639 064 683**

13. Operating profit before working capital changes

Profit before tax	**1 535 988 313**	**825 971 228**	**873 766 899**	**227 558 903**
Depreciation & amortization charges	449 876 688	1 049 861 133	260 612 437	236 673 351
Other income	–	(840 561 011)	–	(189 490 182)
Loss on disposal of property & equipment	115 578 923	17 182 355	64 210 513	3 873 470
Monetary loss	637 097 846	(211 964 726)	–	–
Finance costs	142 427 974	69 567 240	78 425 395	15 682 752
Finance income	–	–	–	(37 952)
	2 880 969 744	**910 056 279**	**1 277 015 244**	**294 260 342**

14. Revenue

Rooms revenue	5 815 451 995	4 287 987 807	6 983 564 125	966 653 980
Food, beverages and conferencing	16 023 601 974	5 417 488 319	8 823 107 428	1 221 280 675
Other operating activities	2 682 765 402	907 027 662	1 477 216 382	204 473 972
	24 521 819 371	**10 612 503 788**	**17 283 887 935**	**2 392 408 627**

15. Other income

Rental income	8 612 897	16 871 367	4 742 536	9 289 914
Sundry income	399 814 964	1 015 779 144	345 173 424	223 503 595
	408 427 861	**1 032 650 511**	**349 915 960**	**232 793 509**

16. Operating expenses

Administrative expenses	9 452 335 333	2 986 534 210	6 881 042 493	422 545 892
Distribution expenses	2 927 610 188	2 206 864 080	2 267 251 213	85 397 511
Other operating expenses	2 325 944 913	1 170 098 618	1 782 802 137	926 598 833
	14 705 890 434	**6 363 496 908**	**10 931 095 844**	**1 434 542 236**

17. Earnings per share

Number of shares (000s)	2 500 000	2 500 000	2 500 000	2 500 000
Authorized shares of 0.01 cents each	2 500 000	2 500 000	2 500 000	2 500 000
Issued and fully paid shares of 0.01 cents each	2 459 537	2 459 537	2 459 537	2 459 537

17.1 Basic earnings per share

Profit attributable to shareholders	1 037 056 060	691 419 751	374 834 646	197 226 560
Weighted average number of shares in issue (000s)	2 459 537 000	2 459 537 000	2 459 537 000	2 459 537 000
Basic earnings per share (ZW$ cents)	42.16	28.11	15.24	8.02

17.2 Headline earnings per share

Profit attributable to shareholders	1 037 056 060	691 419 751	374 834 646	197 226 559
	115 578 923	17 182 356	664 210 513	3 873 470
	1 152 634 983	**708 602 107**	**439 045 159**	**201 100 029**
Weighted average number of shares in issue (000s)	2 459 537 000	2 459 537 000	2 459 537 000	2 459 537 000
Headline earnings per share (ZW$ cents)	46.86	28.81	17.85	8.18

18. Fair value determination of assets and liabilities

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group 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.

19. Events after the reporting date

Significant event after the reporting period.

There are no significant events after the reporting date that require separate disclosure.

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RAINBOW TOURISM GROUP LIMITED

Qualified Opinion

We have audited the consolidated inflation adjusted financial statements of **RAINBOW TOURISM GROUP LIMITED AND ITS SUBSIDIARY (''the Group'')** set out on pages 8 to 39, which comprise the consolidated inflation adjusted statement of financial position as at 31 December 2022, inflation adjusted statement of profit or loss and other comprehensive income, inflation adjusted statement of changes in equity and inflation adjusted 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, except for the effects of the matters described in the basis for Qualified Opinion section of our report, the accompanying consolidated inflation adjusted financial statements present fairly, in all material aspects, the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

Non-compliance with International Financial Reporting Standard 16 (IFRS 16) with respect to management disagreement to derecognize the right of use asset

The Group had the right of use assets carried at ZWL15,596,722,888 (2021: ZWL 2,213,824,310) as at 31 December 2022. In prior and current periods, the Group recognized the right of use assets (and the corresponding lease liabilities) with variable lease payments based on the level of revenue generated. This accounting treatment is not in conformity with the requirements of IFRS 16 paragraph 27 which only permits the recognition of fixed lease payments as right of use assets and lease liabilities.

Management has not agreed to derecognize the recorded right of use assets and the related lease liabilities hence the current and prior period amounts of the right of use assets, lease liabilities and retained earnings in the inflation adjusted statement of financial position and operating expenses in the inflation adjusted statement of profit or loss and other comprehensive income are misstated. Had the derecognitions been made, the following balances would have been materially affected:

Inflation adjusted statement of financial position:

- ZWL 12,384,039,055 (2021: ZWL1,790,315,512) included in right of use assets of ZWL15,596,722,888 (2021: ZWL 2,213,824,310).
- ZWL 11,643,898,894 (2021: ZWL 1,545,354,089) included in lease liability of ZWL14,654,450,268 (2021: ZWL 1,648,778,204).
- ZWL 57,209,674 included in retained earnings of ZWL 12 084 668 012 (2021: ZWL11,980,677,601).

Inflation adjusted statement of profit or loss and other comprehensive income:

- ZWL 69,506,807 (2021: 5,981,349) finance cost included in net finance costs of ZWL 120,426,116 (2021: ZWL 40,893,222).
- ZWL 72,536,356 (2021: ZWL6,189,946) depreciation expense included in administration expenses of ZWL9,902,212,020 (2021: ZWL (4,036,395,342).

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 (Parts A and B), together with other ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgment were of most significance in our audit of 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. In addition to the matters described in the Basis for Adverse Opinion, we have determined the matters described below to be the key audit matters to be communicated in our report:

Key audit matter	Audit response
Revenue recognition **The Group applied IFRS 15 requirements in revenue recognition** There is a presumed fraud risk with regards revenue recognition as guided by International Standard on Auditing (ISA 240: Revised). There is also a risk that not all revenue is recorded as the Group has multiple revenue streams which vary from Conferencing revenues, accommodation, touring operations and commission from gateway stream platform. Furthermore, the timing of revenue may not be adhered to as required by IFRS 15 Revenue from contracts with customers where revenue received in advance for unutilized hotel accommodation days as at year end are included in the current year revenue. In addition , there is a risk that revenue is presented at amounts higher than what has been generated by the Group. Due to the above matter's revenue recognition has been considered as a key audit matter.	• Assessing the appropriateness of the revenue recognition criteria used by Management as per the IFRS 15 requirements. • Tested design, implementation and operating effectiveness of internal controls implemented to ensure accurate processing of revenue transactions. • Performing cut off tests to verify that transactions were processed in the correct periods. • Selecting invoices from the billing system and tracing if they were appropriately posted in the revenue accounts. • Selecting manual journal entries processed to all revenue accounts to confirm validity and business rationale as well as the appropriateness of the adjustments processed. • Performed analytical procedures and assessed the reasonableness of explanations provided by management. • Reviewing the disclosures in the inflation adjusted financial statements against the requirements of IFRS. We were satisfied as to the revenue recognition of the Group.

Valuation of property, plant and equipment Property, plant and equipment amounted to ZWL 24,661,271,045(2021: 3 661 578 815). This has been considered to be an area where significant judgements were applied since a valuation exercise was carried out at year end. In determining the value of property (immovable assets) the directors made use of independent external values who in turn involve the use of judgements. In addition, to value their plant and equipment (movable assets) they carried out an internal director's revaluation. The determination of value of property, plant and equipment was considered to be a matter of significance during the current year under audit due to the: • Inherent subjectivity of the key assumptions that underpin the valuation of investment properties and the heightened uncertainty involved in making these assumptions and • The current economic environment is extremely volatile given the valuation intricacies impacting property in the Zimbabwean market. Valuations undertaken in USD dollars have corroborative sales evidence • Magnitude of property and equipment balance at year end recorded in the consolidated balance sheet, as well as the changes in fair value relating to the property plant and equipment in the consolidated income statement.	We obtained an understanding of the approach followed by management and the independent valuers for the valuation of the Group's property, plant and equipment through discussions with management and the external valuers, as well as inspection of minutes of meetings of the board of directors. We have evaluated the independent valuers by assessing their competence, independence and capabilities with reference to their qualifications and industry experience and noted no aspects requiring further consideration. We assessed the work performed by the independent external valuers in valuing Property, plant and equipment by performing the following: • Reviewed the valuation methods used and assessed whether they are appropriate and consistent with the reporting requirements. • Evaluated the principles and the integrity of the models used, in accordance with generally accepted valuation methodology within the economic environment. • Assessed the competence and qualifications of managements expert. • Assessed the inputs in the valuation model for accuracy and completeness. • Evaluated the consolidation financial statement disclosures for appropriateness and adequacy. Based on the audit procedures performed the Property, plant and equipment values were determined not to be in compliance with IFRS 13 'Fair value measurements"

Other Information

The directors are responsible for other information. The other information comprises the Chairman's Statement, Director's Report, Corporate Governance report and Sustainability Report, which we obtained prior to the date of this report and the Annual Report, which is expected to be made available to us after that date.

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 have obtained prior to the date of the Auditors' Report, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31), and for such internal control as the directors determine 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, the directors are 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Auditing Standards (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with International Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omissions, misrepresentations or the override of the internal controls.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the company to cease or continue as a going concern.

- Evaluate the overall presentation, structure and content of financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the directing, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on legal and regulatory requirements
Except for the matters discussed in the Basis for Qualified Opinion section of our report, the accompanying inflation adjusted financial statements were prepared in accordance with the requirements of section 273 of the Companies and Other Business Entities Act (Chapter 24:31).

BDO Zimbabwe
Chartered Accountants

Per: Martin Makaya
Partner
Registered Public Auditor
PAAB Certificate No :0407

Kudenga House
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29 March 2023