RAINBOW TOURISM GROUP LTD

REVIEWED ABRIDGED CONSOLIDATED GROUP FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

SHORT-FORM FINANCIAL ANNOUNCEMENT

ISSUED IN TERMS OF PRACTICE NOTE 13 OF THE ZIMBABWE STOCK EXCHANGE

This short form financial announcement is the responsibility of the Board of Directors which is issued in terms of the Zimbabwe Stock Exchange (ZSE) practice note 13. It is only a summary of information contained in the full announcement and does not contain full or complete details. Any investment decision by investors and/or shareholders should be based on consideration of the full announcement published on the Zimbabwe Stock Exchange data portal **www.zse.co.zw** and the Company's website **www.rtgafrica.com**

A copy of the reviewed abridged consolidated financial statements for the six months ended 30 June 2023 is upon request, available for inspection at the registered offices of Rainbow Tourism Group Limited during work days between 8:00 am and 5:00 pm.

Financial performance

	INFLATION ADJUSTED		% change	HISTORICAL COST		% change
	30.06.23 ZW$000	**30.06.22 ZW$000**		**30.06.23 ZW$000**	**30.06.22 ZW$000**	
Revenues	49,609,261	35,245,930	41%	26,529,779	4,959,051	435%
EBITDA	3,461,210	9,319,023	-63%	3,049,064	1,212,106	152%
Profit after tax	39,336,675	6,262,954	528%	500,925	717,081	-30%
	30.06.23	**31.12.22**		**30.06.23**	**31.12.22**	
Cash generated from operations	7,868,475	7,520,495	4%	9,935,584	1,008,689	885%
Net cash utilised in investing activities	(10,995,676)	(4,744,450)	77%	(4,443,774)	(596,545)	645%
Net assets	108,261,670	70,993,044	52%	19,395,125	19,803,486	-2%
Total Assets	155,971,182	151,770,238	3%	57,878,032	45,437,194	27%
	30.06.23	**30.06.22**		**30.06.23**	**30.06.22**	
Basic earnings per share (ZW$ cents)	1,599.35	254.64	528%	20.37	29.16	-30%
Basic headline earning per share (ZW$ cents)	1,599.35	254.64	528%	20.37	29.16	-30%

Dividend

The Board of Directors of the Company has declared an interim dividend for the six months ended 30 June 2023. The dividend is payable to all ordinary shareholders registered in the books of the Company. The dividend declared is a blend of Zimbabwe dollar and the United States dollars (USD) currencies. The interim dividend amounts are US$260,000 (or US$0.000104 per share) and ZW$1,613,820,480 (or ZW$0.65 per share) respectively. A separate dividend announcement willl be made regarding the payment of the dividend.

The Group's interim abridged consolidated financial information from which these results were extracted have been reviewed by the Group's external auditors BDO Zimbabwe Chartered Accountants. A qualified review opinion with respect to non-compliance with International Financial Reporting standard 16 (IFRS 16) has been issued. The auditors' review conclusion on the Group's interim abridged consolidated Financial Statements is available for inspection at the Group's registered office. The engagement partner for the review is Mr. Martin Makaya (PAAB certificate N0: 0407).

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Douglas Hoto
Chairman
19 October 2023

Directors: D.Hoto (Chairman), T. Madziwanyika (CEO), A. Bvumbe, K. Chibota, L. Mabhanga, C. Malaba, D. Mavhembu, N. Mtukwa (FD), G. Taputaira

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REVIEWED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

PERFORMANCE HIGHLIGHTS

- ▲ 41% — **REVENUE** ZW$49.6 billion (INFLATION ADJUSTED)
- ▼ -4% — **OCCUPANCY** 46%
- ▲ +34% — **FOREIGN CURRENCY CONTRIBUTION** 51%
- ▼ 63% — **EBITDA** ZW$3.5 billion (INFLATION ADJUSTED)
- ▲ 6x — **PROFIT AFTER TAX** ZW$39 billion (INFLATION ADJUSTED)
- ✓ **GEARING** FREE OF DEBT

CHAIRMAN'S STATEMENT

1. INTRODUCTION
I am delighted to announce that the Group has achieved a profit for the first half of the year ended 30 June 2023. This achievement is a testament to our unwavering dedication and the resilience of our business model, which has demonstrated its adaptability in the face of significant challenges posed by the complex economic landscape in Zimbabwe. Despite the formidable hurdles presented by inflation and price disparities, we have successfully navigated this terrain, emerging stronger than ever.

Throughout all the challenges of the first half of the year, we have calmly navigated these turbulent waters. Our commitment to strengthening our brand remains steadfast. This positive financial outcome affirms our commitment to a future characterised by delivery of quality service to our customers and growth in all performance metrics.

2. OPERATING ENVIRONMENT
The first half of the year indeed presented formidable challenges, most notably a successive and steep rise in month-on-month inflation, which surpassed the 50% threshold in June. This predicament was further compounded by the enforcement of Statutory Instrument 142, which significantly impacted the tourism sector. Additionally, the volatile movement of exchange rates in the market exerted sustained pressure on the Group, resulting in increased prices and cost challenges. Against this backdrop, the first half of the year saw the Group facing substantial losses due to:

2.1 Exchange rate revaluation of foreign currency-denominated liabilities.
2.2 Consistent disparities between the official Interbank Exchange Rate, used for pricing goods and services, and the market-implied exchange rate affecting input costs.

In response to this ever-evolving landscape, the Group proactively implemented a series of measures aimed at mitigating the risks stemming from the operating environment. We anticipate that this newfound stability will endure in the medium-term, creating an environment conducive to successfully navigating the complexities that arise within our operational sphere.

3. PERFORMANCE REVIEW
During the period under review, the occupancy rate closed at 46%, marking a modest 4% decrease when compared to the 48% achieved in 2022. Nevertheless, the Group displayed commendable resilience in maintaining business volumes, primarily driven by segments such as accommodation and outside catering. Further bolstering the Group's performance were the tours and activities business; Heritage Expeditions Africa, and the tech business; Gateway Stream.

The Group's inflation-adjusted revenues for the first half of the year closed at ZW$49.6 billion, a growth of 41% from the inflation-adjusted ZW$35.2 billion realized in 2022. The Growth in revenues demonstrates the Group's agility in the face of a difficult operating environment.

Gross margins for the review period stood at 65%, slightly lower than the 72% achieved in 2022. This decline in gross profit margins is directly attributable to increased costs as driven by inflation during the reporting period.

The Group's Earnings Before Interest, Tax, Depreciation, and Amortization (EBITDA) reached ZW$3.5 billion, a 63% decrease when compared to the ZW$9 billion EBITDA reported in 2022.

The financial position of the Group remains robust, as evidenced by its statement of financial position. The current ratio has improved to 0.88, signifying a positive upturn from the 0.79 recorded as of December 31, 2022. This enhancement can be directly attributed to the judicious implementation of cash flow management strategies.

Financial indices	JUNE 2023	DEC 2022
Gearing Ratio	0%	1%
Current Ratio	0.88	0.79
Acid Test	0.75	1.71

4. PRODUCT IMPROVEMENT
The Group allocated ZW$2.6 billion (equivalent to US$1.7 million) towards capital expenditure (CAPEX) during the reporting period. The primary focus of our CAPEX investment was directed towards the enhancement of essential areas within all our hotels. Notably, this encompassed the completion of a comprehensive upgrade of the suites at Rainbow Towers Hotel and Conference Centre, including the prestigious presidential suite.

This strategic investment underscores the Group's commitment to improving its facilities and services, with the overarching goal of elevating the overall guest experience to world class status. Such targeted improvements align seamlessly with our long-term growth objectives, as we continue to position ourselves as leaders in the hospitality industry.

5. SUSTAINABILITY
The Company remains focused on ensuring responsible business operations and practices positively impacting on the communities and environment where it operates. During the period under review, the Company assisted several causes under its philanthropy pillar which included donations of food items and linen.

During the period under review, the Company was able to enjoy the benefits of its investment in renewable energy, in reference to the Kadoma Hotel & Conference Centre. The Company generated 100,116 KWH of clean energy which constitutes 32% of total energy consumption, with a 40% reduction of the energy bill.

The Company received an award for its responsible waste management practices: Best Sustainable Waste Management Hospitality Facility at the Africa Green Waste & Energy Expo and summit hosted by a local NGO and supported by UNDP.

The Group is scaling up the Kadoma community-based organic farming programme, which was previously impacted by the COVID-19 pandemic. The program is in partnership with the Community Capacity Building Initiative in Africa (CCBICA) focusing on training and equipping underprivileged communities with the skills and knowledge needed to engage in organic farming. This initiative aims to improve food security, promote sustainable livelihoods and enabling the local community to become self-sufficient.

6. DIRECTORATE
There were no changes to the Company's directorate during the period under review.

7. DIVIDEND
The Board of Directors of the Company has declared an interim dividend for the six months ended 30 June 2023. The dividend is payable to all ordinary shareholders registered in the books of the Company. The interim dividend amounts are US$260,000 (or US$0.000104 per share) and ZW$1,613,820,480 (or ZW$0.65 per share) respectively. The Company will issue a separate dividend announcement regarding the payment of the dividend.

8. OUTLOOK
The Group holds an optimistic outlook regarding the resurgence of the industry in the second half of the year. The last half of the year usually contributes around 60% of the total business led by conferencing and foreign leisure business.

Our focus will be on maintaining and enhancing profit margins through diligent cost management and the adoption of innovative business models. We remain dedicated to leveraging synergies with our valued business partners and nurturing a motivated workforce to establish enduring value to our shareholders.

The Group is steadfastly pursuing the expansion of its hotel portfolio leveraging its debt-free financial position.

9. ACKNOWLEDGEMENTS
On behalf of the Board, I would like to express our profound gratitude to all RTG customers and esteemed business partners for their invaluable support. I also extend my heartfelt appreciation to my esteemed colleagues on the Board of Directors and the dedicated staff members whose professionalism and unwavering commitment have been instrumental to our achievements.

Together, we remain deeply committed to fostering innovation and seizing the opportunities that lie ahead. Our overarching goal continues to be the creation of lasting value for each and every stakeholder involved.

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D. HOTO
CHAIRMAN

19 October 2023

INDEPENDENT AUDITORS REVIEW REPORT

We have reviewed the accompanying abridged consolidated interim financial statements for the six months ended 30 June 2023 and a modified review conclusion has been issued thereon. The review conclusion is qualified with respect to non- compliance with International Financial Reporting Standard 16 (IFRS 16).

The review conclusion has been, made available to management and those charged with governance of Rainbow Tourism Group Limited and its subsidiaries. The Independent Review Report to the abridged consolidated interim financial statements is available for inspection at the Groups registered office.

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BDO Zimbabwe Chartered Accountants
Per: Martin Makaya CA (Z)
Partner
Registered Public Auditor (PAAB Certificate No: 0407)

24 October 2023

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	INFLATION ADJUSTED 30.06.23 ZW$	INFLATION ADJUSTED 31.12.22 ZW$	HISTORICAL COST 30.06.23 ZW$	HISTORICAL COST 31.12.22 ZW$
ASSETS					
Non current assets					
Property and equipment	8	88 934 223 935	84 820 634 353	26 323 730 313	24 661 271 045
Intangible assets	9	566 184 247	544 945 048	181 515 585	172 932 010
Right of use assets	11	48 026 716 274	49 148 546 238	15 143 348 387	15 596 722 888
		137 527 124 456	134 514 125 639	41 648 594 285	40 430 925 943
Current assets					
Inventories	12	3 869 387 665	3 294 207 192	1 563 767 913	575 618 852
Trade and other receivables	13	10 211 152 820	12 361 428 767	10 211 152 820	3 922 756 495
Financial Assets		2 799 360	1 723 851	2 799 360	547 044
Cash and bank balances	14	4 360 717 641	1 598 753 377	4 360 717 641	507 345 899
		18 444 057 486	17 256 113 187	16 138 437 734	5 006 268 290
Total assets		**155 971 181 942**	**151 770 238 826**	**57 787 032 019**	**45 437 194 233**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital		181 227 754	181 227 754	249 550	249 550
Share premium		6 715 718 147	6 715 718 147	10 227 505	10 227 505
Revaluation reserve		60 371 886 954	60 371 886 954	19 537 568 662	19 537 568 662
Retained earnings		40 992 837 279	3 724 211 582	(152 920 570)	255 439 833
Total equity		**108 261 670 134**	**70 993 044 437**	**19 395 125 147**	**19 803 485 550**
Non Current liabilities					
Lease obligation	11	12 339 158 881	42 153 218 289	12 339 158 881	13 376 836 444
Deferred tax liability	10	14 425 758 607	14 466 557 113	5 108 153 671	4 590 794 636
		26 764 917 488	56 619 775 402	17 447 312 552	17 967 631 080
Current liabilities					
Trade and other payables	15	18 419 733 929	19 146 569 068	18 419 733 929	6 075 942 319
Bank overdraft	14	1 080 806 282	693 538 946	1 080 806 282	220 086 566
Tax payable		485 843 741	291 281 752	485 843 741	92 434 894
Lease liabilities	11	958 210 368	4 026 029 221	958 210 368	1 277 613 824
		20 944 594 320	24 157 418 987	20 944 594 320	7 666 077 603
Total liabilities		**47 709 511 808**	**80 777 194 388**	**38 391 906 872**	**25 633 708 683**
Total equity and liabilities		**155 971 181 942**	**151 770 238 826**	**57 787 032 019**	**45 437 194 233**

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	INFLATION ADJUSTED 30.06.23 ZW$	INFLATION ADJUSTED 30.06.22 ZW$	HISTORICAL COST 30.06.23 ZW$	HISTORICAL COST 30.06.22 ZW$
Revenue	17	**49 609 260 798**	**35 245 929 956**	**26 529 778 962**	**4 959 050 820**
Cost of sales		(17 379 629 195)	(9 829 029 821)	(9 249 954 619)	(1 406 291 117)
Gross profit		**32 229 631 603**	**25 416 900 135**	**17 279 824 343**	**3552 759 703**
Other operating income	18	3 603 207 506	1 283 860 514	2 126 806 979	155 653 168
Operating expenses	19	(32 371 629 209)	(17 381 737 581)	(16 357 567 157)	(2 496 306 884)
Earnings before interest, tax, depreciation and amortization		**3 461 209 900**	**9 319 023 067**	**3 049 064 165**	**1 212 105 987**
Depreciation and amortization		(2 314 398 037)	(931 869 671)	(939 406 135)	(117 199 269)
Profit from operations		**1 146 811 863**	**8 387 153 397**	**2 109 658 030**	**1 094 906 718**
Net finance costs		(1 422 931 896)	(204 676 269)	(694 538 356)	(25 128 401)
Net monetary gain/(loss)		40 526 989 082	(47 057 530)	-	-
Profit before tax		**40 250 869 049**	**8 135 419 598**	**1 415 119 674**	**1 069 778 317**
Income tax expense		(914 194 265)	(1 872 465 517)	(914 194 265)	(352 697 788)
Profit after tax		**39 336 674 784**	**6 262 954 081**	**500 925 409**	**717 080 529**
Other comprehensive income:					
Items that will be re-classified subsequently to profit or loss		**-**	**-**	**-**	**-**
Total comprehensive income for the period		**39 336 674 784**	**6 262 954 081**	**500 925 409**	**717 080 529**
Earnings per share (ZW$ cents)	20				
Basic earnings per share		1 599.35	254.64	20.37	29.16
Headline Earnings per share		1 599.35	254.64	20.37	29.16

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REVIEWED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	INFLATION ADJUSTED		HISTORICAL COST	
		30.06.23 ZW$	31.12.22 ZW$	30.06.23 ZW$	31.12.22 ZW$
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit before working capital changes	16	**7 020 214 570**	**8 026 245 471**	**4 328 338 535**	**1 051 092 187**
Increase in inventories		(575 180 473)	(1 268 866 576)	(988 149 061)	(189 028 879)
Decrease/(increase) in trade and other receivables		2 150 275 947	(4 159 368 240)	(6 288 396 325)	(1 609 787 952)
(Decrease)/increase in trade and other payables		(726 835 139)	4 922 485 027	12 343 791 610	1 756 413 723
Cash generated from operations		**7 868 474 905**	**7 520 495 683**	**9 395 584 759**	**1 008 689 079**
Income tax paid		(977 173 664)	(686 458 286)	(394 913 344)	(85 497 504)
Finance costs		(1 718 565 859)	(204 676 269)	(694 538 356)	(25 128 401)
Net cash generated from operations		**5 172 735 382**	**6 629 361 128**	**8 306 133 059**	**898 063 174**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	8	(6 438 056 319)	(2 106 068 037)	(2 601 865 403)	(262 308 088)
Development of intangible assets	7	(48 833 212)	(71 921 145)	(19 735 373)	(14 587 452)
Lease principal repayment		(4 508 786 002)	(2 566 460 655)	(1 822 173 297)	(319 649 401)
Net cash utilised in investing activities		**(10 995 675 533)**	**(4 744 449 837)**	**(4 443 774 073)**	**(596 544 941)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend		(2 068 049 087)	(1 173 570 740)	(909 285 812)	(150 000 000)
Repayment of borrowings		-	(8 753 920)	-	(1 769 092)
Net cash outflows from financing activities		**(2 068 049 087)**	**(1 182 324 660)**	**(909 285 812)**	**(151 769 092)**
Net effects of inflation		**9 553 607 206**	**(1 003 627 127)**	**-**	**-**
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		**1 662 617 968**	**(301 040 496)**	**2 953 073 174**	**149 749 141**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		**1 617 293 391**	**1 918 333 887**	**326 838 185**	**177 089 044**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	14	**3 279 911 359**	**1 617 293 391**	**3 279 911 359**	**326 838 185**

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	INFLATION ADJUSTED				
	Share capital ZW$	Share premium ZW$	Revaluation reserve ZW$	Retained Earnings ZW$	Total equity ZW$
Balance at 31 December 2022	**181 227 754**	**6 715 718 147**	**60 371 886 954**	**3 724 211 582**	**70 993 044 437**
Dividend paid	-	-	-	(2 068 049 087)	(2 068 049 087)
Total comprehensive income	-	-	-	39 336 674 784	39 336 674 784
Balance at 30 June 2023	**181 227 754**	**6 715 718 147**	**60 371 886 954**	**40 992 837 279**	**108 261 670 134**

	HISTORICAL COST				
	Share capital ZW$	Share premium ZW$	Revaluation reserve ZW$	Retained Earnings ZW$	Total equity ZW$
Balance at 31 December 2022	**249 550**	**10 227 505**	**19 537 568 662**	**255 439 833**	**19 803 485 550**
Dividend paid	-	-	-	(909 285 812)	(909 285 812)
Total comprehensive income	-	-	-	500 925 409	500 925 409
Balance at 30 June 2023	**249 550**	**10 227 505**	**19 537 568 662**	**(152 920 570)**	**19 395 125 147**

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 3O JUNE 2023

1. General information

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

General information, basis of preparation and statement of compliance with IFRS

The abridged interim consolidated financial statements are for the six months ended 30 June 2023 and are presented in Zimbabwean Dollars (ZW$), which is the functional currency of the Group. They have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2022.

The abridged interim consolidated financial statements were approved for issue by the Board of Directors on 19 October 2023.

2. New accounting standards

There are no accounting pronouncements which have become effective from 1 January 2023 that have a significant impact on the interim consolidated financial statements.

3. Significant consolidated accounting policies

The abriged interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2022.

4. Estimates and judgements

When preparing the Interim consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the abridged interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2022. The only exceptions are the estimate of income tax liabilities which is determined in the Interim Financial Statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5. Significant events and transactions

Management believes that the Group is well positioned to cope with a downturn in the economy. Factors contributing to the Group's strong position are:

. no significant new orders. In addition, the Group has several long-term contracts with a number of its existing customers
. the Group does not expect to need additional working capital borrowing facilities in the next 12 months .
. the Group's major customers have not experienced financial difficulties. Credit quality of trade receivables as at 30 June 2023 is considered to be good.

Overall, the Group has sufficient capital and liquidity to service its operating activities and debt. The Group's objectives and policies for managing capital, credit risk and liquidity risk are described in its annual financial statements.

6. Effects of inflation adjustments

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). The conversion factors used to restate the financial statements at 30 June 2023, using a February 2019 base are as follows;

Period	Index	Conversion Factor
30 June 2023	43,086.20	1.0000
31 December 2022	13,672.91	3.1512
30 June 2022	8,707.35	4.9483

7. Statement of compliance

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

8. Property and equipment

	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.23 ZW$	31.12.22 ZW$	30.06.23 ZW$	31.12.22 ZW$
Opening carrying amount	84 820 634 353	39 664 400 317	24 661 271 045	3 661 578 813
Additions to property and equipment	6 438 056 326	4 479 257 252	2 601 865 404	782 690 574
Revaluation	-	42 246 845 422	-	20 491 315 301
Depreciation charge	(2 324 466 744)	(1 186 116 181)	(939 406 135)	(207 258 011)
Carrying amounts of disposed assets	-	(383 752 458)	-	(67 055 632)
Closing carrying amount	**88 934 223 935**	**84 820 634 353**	**26 323 730 313**	**24 661 271 045**

9. Intangible asset

Opening carrying amount	544 945 048	212 235 116	172 932 010	19 592 269
Additions	48 833 211	208 262 752	19 735 373	36 391 143
Revaluation		135 208 977	-	118 829 079
Amortization charge	(27 594 011)	(10 761 797)	(11 151 798)	(1 880 481)
Closing carrying amount	**566 184 247**	**544 945 048**	**181 515 585**	**172 932 010**

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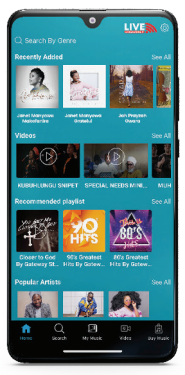

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REVIEWED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

NOTES TO THE ABRIDGED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 (continued)

	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.23	31.12.22	30.06.23	31.12.22
	ZW$	ZW$	ZW$	ZW$
10. Deferred tax reconciliation				
Analysis of deferred tax				
Property, plant and equipment	14 466 557 113	14 581 185 085	5 148 952 178	4 627 170 497
Intangible assets	35 854 530	100 737 308	35 854 529	31 967 820
Leave pay provision	(76 653 036)	(215 365 280)	(76 653 036)	(68 343 681)
	14 425 758 607	14 466 557 113	5 108 153 671	4 590 794 636
Deferred tax reconciliation				
Balance at the beginning of the year	14 466 557 113	1 520 201 711	4 590 794 636	356 049 654
Movement through profit or loss	(40 798 506)	207 279 707	517 359 035	65 777 820
Movement through other comprehensive income		12 739 075 695	-	4 168 967 162
Effects of inflation			-	
	14 425 758 607	14 466 557 113	5 108 153 671	4 590 794 636
11. Right of use assets				
Opening balances	49 148 546 238	6 976 224 895	15 596 722 888	644 003 113
Depreciation	(1 121 829 964)	(266 736 885)	(453 374 501)	(46 608 720)
Revaluation	-	42 439 058 228	-	14 999 328 495
Closing balances	**48 026 716 274**	**49 148 546 238**	**15 143 348 387**	**15 596 722 888**

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. All the leases have a maturity tenure of more than 5 years.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on statements of financial position.

Hotel	Remaining term	Option for an extention	Payment Index To Revenues
Rainbow Towers Hotel	16 years	Yes	Yes
Kadoma Hotel	17 years	Yes	Yes
New Ambassador Hotel	4 years	Yes	Yes

	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.23	31.12.22	30.06.23	31.12.22
	ZW$	ZW$	ZW$	ZW$
Lease obligation				
Curent liabilities	958 210 368	4 026 029 221	958 210 368	1 277 613 824
Non current liabilities	12 339 158 881	42 153 218 288	12 339 158 881	13 376 836 444
	13 297 369 249	**46 179 247 509**	**13 297 369 249**	**14 654 450 268**

There were no new leases acquired during the period under review. The increase in lease obligations is as a result of the revaluation of the right of use asset in line with projected changes in cash flows

12. Inventories				
Food and beverage	1 511 724 161	899 870 910	610 945 695	285 563 629
Service stocks	1 406 269 143	478 617 069	568 327 279	151 883 593
Other stocks	951 394 361	1 915 719 213	384 494 939	138 171 630
	3 869 387 665	**3 294 207 192**	**1 563 767 913**	**575 618 852**
13. Trade and other receivables				
Trade receivables	2 400 630 774	11 038 613 889	2 400 630 774	3 502 976 488
Prepayments and other	7 810 522 046	1 322 814 878	7 810 522 046	419 780 007
	10 211 152 820	**12 361 428 767**	**10 211 152 820**	**3 922 756 495**

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 30 June 2023 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	1 756 661 625	175 864 524	90 434 349	5 902 199	371 768 078	2 400 630 774
Average expected loss rate	0.5%	1.5%	2.0%	10.0%	100.0%	3.0%
Credit loss allowance	**8 783 308**	**2 637 968**	**1 808 687**	**590 220**	**371 768 078**	**385 588 261**

14. Cash and cash equivalents				
For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:				
Cash and bank balances	4 360 717 641	1 598 753 377	4 360 717 641	507 345 899
Bank overdraft	(1 080 806 282)	(693 538 946)	(1 080 806 282)	(220 086 566)
	3 279 911 359	**905 214 431**	**3 279 911 359**	**287 259 333**

NOTES TO THE ABRIDGED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 (continued)

	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.23	31.12.22	30.06.23	31.12.22
	ZW$	ZW$	ZW$	ZW$
15. Trade and other payables				
Trade payables	9 762 458 982	10 147 681 606	9 762 458 982	3 220 249 429
Accruals and other payables	8 657 274 947	8 998 887 462	8 657 274 947	2 855 692 890
	18 419 733 929	**19 146 569 068**	**18 419 733 929**	**6075 942 319**

	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.23	30.06.22	30.06.23	30.06.22
	ZW$	ZW$	ZW$	ZW$
16. Operating profit before working capital changes				
Profit before tax	**40 250 869 049**	**8 135 419 598**	**1 415 119 674**	**1 069 778 317**
Depreciation & amortization charges	2 314 398 037	931 869 671	939 406 135	117 199 269
Non-cash components of other expenses	3 263 370 707	(1 292 777 597)	1 279 274 370	(161 013 800)
Monetary (gain)/loss	(40 526 989 082)	47 057 530	-	-
Finance costs	1 718 565 859	204 676 269	694 538 356	25 128 401
	7 020 214 570	**8 026 245 471**	**4 328 338 535**	**1 051 092 187**
17. Revenue				
Rooms revenue	22 495 559 476	14 385 043 020	12 030 056 706	2 023 954 524
Food, beverages and conferencing	23 833 239 558	17 695 285 537	12 745 414 208	2 489 700 807
Other operating activities	3 280 461 764	3 165 601 399	1 754 308 048	445 395 489
	49 609 260 798	**35 245 929 956**	**26 529 778 962**	**4 959 050 820**
18. Other Income				
Rental from tenants	2 249 725 192	535 662 654	909 200 208	64 942 872
Fair value adjustment	48 434 123	11 532 231	19 574 086	1 398 149
Sundry income	1 305 048 191	736 665 629	1 198 032 685	89 312 147
	3 603 207 506	**1 283 860 514**	**2 126 806 979**	**155 653 168**
19. Operating expenses				
Administrative expenses	16 121 442 860	11 736 215 112	8 146 256 172	1 685 515 872
Distribution expenses	6 897 970 349	2 941 657 869	3 485 583 395	422 471 042
Other operating expenses	9 352 216 000	2 703 864 600	4 725 727 590	388 319 970
	32 371 629 209	**17 381 737 581**	**16 357 567 157**	**2 496 306 884**
20. Earnings per share				
Number of shares (000s)	2 500 000	2 500 000	2 500 000	2 500 000
Authorized shares of ZW$ 0.01 each	2 500 000	2 500 000	2 500 000	2 500 000
Issued and fully paid shares of ZW$ 0.01 each	2 459 537	2 459 537	2 459 537	2 459 537
20.1 Basic earnings per share				
Profit attributable to shareholders	39 336 674 784	6262 954 081	500 925 409	717 080 529
Weighted average number of shares in issue (000s)	2 459 537	2 459 537	2 459 537	2 459 537
Basic earnings per share (ZW$ cents)	1 599.35	254.64	20.37	29.16
20.2 Headline earnings per share				
Profit attributable to shareholders	39 336 674 784	6262 954 081	500 925 409	717 080 529
Loss on sale of assets	**39 336 674 784**	**6262 954 081**	**500 925 409**	**717 080 529**
Weighted average number of shares in issue (000s)	2 459 537	2 459 537	2 459 537	2 459 537
Headline earnings per share (ZW$ cents)	1 599.35	254.64	20.37	29.16

21. Fair Value Determination of Transaction , Assets and Liability

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.

22. Events after the reporting date

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

Take advantage of these fantastic Weekender Deals...Book Today!

Hotel	Single US$	Double PPS US$
The Rainbow Towers	85	50
New Ambassador Hotel	59	35
Kadoma Hotel & Conference Centre	69	40
Bulawayo Rainbow Hotel	69	40
Victoria Falls Rainbow Hotel	85	50
A 'Zambezi River Lodge	99	60

* PPS refers to per person sharing

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INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF RAINBOW TOURISM GROUP LIMITED

REPORT ON THE REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have reviewed the abridged consolidated interim financial statements of **RAINBOW TOURISM GROUP LIMITED** and its subsidiary (**"the Group"**), contained in the accompanying report which comprises the abridged consolidated interim statement of financial position as at 30 June 2023, the abridged consolidated interim statement of profit or loss and other comprehensive income, the abridged consolidated interim statement of changes in equity and the abridged consolidated interim statement of cash flows for the six months then ended, and the explanatory information to the abridged consolidated interim financial statements (together, "the interim financial information").

The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards.

Our responsibility is to express a review conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

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

At the reporting date, the carrying amount of the Group's right of use assets stood at ZWL48,026,716,274 (31 December 2022: ZWL49,148,546,238). Based on information provided to us by management in prior and current periods, the Group includes the right of use assets (and the corresponding lease liabilities) on leases with variable lease payments based on the level of revenue generated that we believe should be derecognized to conform 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 disagreed on the need to derecognize the 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.

If these leases had been derecognized, right of use assets would have decreased by ZWL$38,106,492,062, lease liability by ZWL$11,295,910,646 profit before tax and retained earnings decreased by ZWL$687,719,897 and ZWL$2,609,071,904 respectively for the six months ended 30 June 2023.

BDO Zimbabwe, a Zimbabwean partnership, is a member of BDO International Limited, a UK company limited by guarantee and forms part of the international BDO Network of independent member firms.

A list of partner names is available for inspection at our registered office, No. 3 Baines Avenue, Harare.

Qualified conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not give a true and fair view of the financial position of the entity as at 30 June 2023, and of its financial performance and its cash flows for the six months ended in accordance with the International Financial Reporting Standards.

.....

BDO Zimbabwe Chartered Accountants

Per: Martin Makaya CA (Z)
Partner
Registered Public Auditor (PAAB Certificate No: 0407)
29 September 2023

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Harare