RTG

RAINBOW TOURISM GROUP LTD

ABRIDGED REVIEWED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

PERFORMANCE HIGHLIGHTS

HISTORICAL REVENUES
247% from ZW$37 million in H1 2019 to ZW$128.5 million in 2020.

INFLATION ADJUSTED REVENUE
51% from ZW$470 million in H1 2019 to ZW$230 million in 2020.

OCCUPANCY
18 percentage points from 43% in H1 2019 to 25% in 2020.

INFLATION ADJUSTED EBITDA MARGIN
11% from 28% in 2019 to 31% in 2020.

HISTORICAL GEARING
Unchanged at 4% compared to the position as at 31 December 2019

CHAIRMAN'S STATEMENT

1. INTRODUCTION

The first half of 2020 was characterized by significant business disruption as a result of the COVID-19 pandemic. I am pleased to report that the Group attained a profitable performance notwithstanding this difficult period. During the first half of 2020, the Group refurbished the Rainbow Towers Hotel, transforming it into a world-leading facility within a period of less than three months. The Group also eliminated its remaining significant debt, the 6% long-term debenture amounting to ZW$16.7 million, resulting in an almost debt-free position and gearing of 4%.

2. OPERATING ENVIRONMENT

The operating environment was characterized by a volatile foreign exchange market, price distortions and increasing inflation all of which negatively affected the Group's gross profit margin. The situation was compounded by the worldwide outbreak of COVID-19 within the first quarter of the year which brought the world to a standstill. The tourism industry was amongst the most affected of all major economic sectors. The global tourism economy was heavily hit by the measures introduced to contain the spread of COVID-19, which included the grounding of airplanes, hotel closures and travel restrictions in virtually all countries of the world. This affected global tourism receipts and Zimbabwe was not spared. The UNWTO estimates tourism receipts worldwide will decline by between 58% to 78% in 2020 with recovery expected in the second quarter of 2021. This global crisis presented the following opportunities which the Group capitalized on to drive business continuity;

- Leveraging on technology; The COVID-19 pandemic and its effects on the economy and livelihoods has re-affirmed the Group's strategy of driving asset-lite investment through digitization. The new normal is tech-driven where consumers now prefer to interact with businesses online. Through the period when hotels were closed, an opportunity arose for the Group's tech-division to drive commerce online. The Group's mobile and web application-based subsidiary, the Gateway Stream gained momentum through the provision of online shopping for groceries and food items as well as delivery services around Zimbabwe. The Group is now focused on populating the other online shops which include hardware, clothing, music, arts and crafts which will go a long way to enhancing the customer's all in one online shopping experience.

- Foreign currency revenue generation; The Group capitalized on returning citizens coming back home from across the globe especially those repatriated and whose quarantine expenses were paid for by their employers. Further foreign currency was generated through the reconfiguration of business market segments as the Group targeted foreign funded government activities and NGO funded activities which were conducted during the period under review.

3. PERFORMANCE REVIEW

During the first quarter of 2020, the Group's business units were operating optimally. The declaration by the World Health Organization of COVID-19 as a global health emergency had a direct impact on the business through the cancellation and postponement of bookings during the second quarter.

On 28 March 2020, the Government of Zimbabwe announced a national lockdown, closing all business activities except for essential services. In compliance with this directive, the Group proceeded to temporarily close all its hotels. City hotels were re-opened in early May 2020, albeit with low business volumes due to continued lockdown restrictions. The major source of business for those hotels that were opened included quarantine groups, foreign funded NGO and Government activities. The two Victoria Falls properties remained closed for the rest of the first half due the absence of airlines operating into the region. To ensure the safety and wellbeing of our staff and guests, the Group has implemented COVID-19 protocols as guided by WHO and the Ministry of Health and Child Care.

Occupancy for the period under review closed at 25% compared to 43% recorded during the first half of 2019. The Group posted revenues of ZW$230 million, 51% below ZW$470 million posted same period in 2019. Gross margins for period under review closed at 63% from 74% posted in 2019. The decline in gross margins can be attributable to revenues lost during the lockdown period.

The Group posted an Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) margin of 38%, a growth of 19% compared to 32% posted in 2019. The growth In EBITDA margins was mainly as a result of various cost reduction initiatives adopted prior to and during the lockdown period. Net profit margin for the period closed on 9% in 2020 compared to 15% in 2019. The Group's profitability was supported by the Increase in fair value of its stock market investment.

The Group's statement of financial position remains strong despite the effects of COVID-19. During the period under review, the Group paid the debenture of ZWL16.7 million in full. This instrument was issued in February 2018 at an interest rate of 6% and tenure of 7 years. The early payment of the debenture released the Group's assets which were pledged as security. The Group's gearing now stands at 4%.

Notwithstanding the effects and spread of the COVID-19 pandemic, the Group has put in place the necessary procedures to ensure safety of guests and staff. We are proud to have been the major host facility for returning citizens and pleased to have been at the frontlines of the fight against COVID-19.

4. TOUR OPERATIONS BUSINESS

The Group's two tour operations subsidiaries, namely Journeys by Exotic (JBE) in USA and Heritage Expeditions Africa (HEXA) in Zimbabwe were significantly affected by the effects of the COVID-19 pandemic. HEXA had already commenced transfer tours, quad bike safaris, white water rafting, third-party activities,services and an adventure park at the Rainbow Towers Hotel while JBE in USA had commenced selling destinations around the world to the American market. HEXA will continue to drive the domestic business segment.

The Group is in the process of winding up the operations of JBE following an assessment of its ability to continue to operate as a going concern. The increasing uncertainty in the American market due to heightened cases of COVID-19 has necessitated the need to discontinue operations in that market effective 31 August 2020.

5. GATEWAY STREAM

The Group expanded the Gateway Stream super-app which originally had hospitality and leisure, room auctions as well as homes and boats. The expansion involved the activation of the grocery delivery, hardware, farming and transportation services. The national lockdown as well as an increased demand for the delivery of take-away and grocery items created an opportunity to expand the Gateway Stream offering to create additional revenue sources. The platform now has more than 16,000 product lines listed across eight regional online shops. The commerce being generated from a wide global diaspora geographical spread is encouraging.

Through the Gateway Stream the Group, redeployed it's staff from those hotels that were closed to different regions across the country thereby leveraging the Group's existing human resource base.

6. PRODUCT UPGRADES

The Group undertook the refurbishment of Rainbow Towers Hotel during the first quarter of 2020. The project was completed within three months and was the hotel's first full room refurbishment since its construction in 1985. The scope of works included plumbing, electricals, ceiling works, new bathrooms, installation of two brand new guest elevators as well as new in-room furniture and fittings at a total project cost of US$4.4 million. The hotel now offers world-leading rooms that can compete with other comparable 5-star rooms.

7. SUSTAINABILITY

The Group continued on its sustainability reporting journey. During this period, the Group implemented Global Reporting Initiatives (GRI) Standards for guiding sustainable practices and decisions. The sustainability initiatives being implemented guarantee excellence, eco-friendly facilities and a life-time service experience for our guests and stakeholders.

8. CORPORATE SOCIAL RESPONSIBILITY

In the wake of the pronouncement of the national lockdown which led to the temporary closure of all the hotels, the Group donated perishable food items to various orphanages including Hupenyu Hutsva and Harare Children's homes.

In anticipation of the growth in COVID-19 infections in the country which would place considerable stress on the designated government institutions, the Group donated linen to established quarantine centres in the communities in which RTG has a presence. To this end the Group donated a total of 3100 linen items comprising of bed sheets, blankets, towels, pillows and pillowcases valued at the equivalent of US$40 000. The items were donated to Wilkins & Beatrice Infectious Diseases Hospitals in Harare, Throngrove Infectious Diseases Hospital in Bulawayo as well as Victoria Falls and Kadoma Ministry of Health and Child Care provincial centres.

9.

Mr Simon Masanga resigned as a director of the company. During the period under review on behalf of the board we wish him well in his future endevours.

10. DIVIDEND

Due to uncertainty around the current operating environment and the need to retain cashflow, the Board of Directors resolved to not declare a dividend for the half year ended 30 June 2020.

11. OUTLOOK

The tourism industry was the industry most affected, COVID-19 pandemic. While the current situation is likely to persist into early 2021, we remain optimistic that the tourism industry will in time rebound and set the hotel business on a recovery path. Meanwhile, the Group continues to prepare for the inevitable rebound of the travel and tourism sector by continuing to recruit rooms and activities across Africa onto the Gateway Stream platform. Many travel and tourism players will require visibility when the industry rebounds. The Gateway Stream seeks to be a significant player in that space alongside global e-commerce giants in the business of providing access to a diversified range of hospitality and leisure products and services.

The Group will continue to explore the various opportunities presented through its digitisation initiatives as driven by the Gateway Stream. Through the web and mobile application, the Group will provide a unified global diversified commercial ecosystem, one that creates ownership of markets with multiple, perpetual residual cashflow streams. These opportunities are all supported by the multi-app architecture of the Gateway Stream thereby ensuring value to the various stakeholders.

12. ACKNOWLEDGEMENTS

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

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A. J MANASE
CHAIRMAN

19 August 2020

INDEPENDENT REVIEW STATEMENT

These abridged interim consolidated financial statements for the six months ended 30 June 2020 have been reviewed by Messrs Grant Thornton Chartered Accountants (Zimbabwe) and a modified review conclusion issued thereon. This review conclusion is adverse with respect to non-compliance with International Accounting Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates, International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies and the fair value determination of assets, transactions and liabilities. There is an emphasis of matter paragraph regarding the possible impact of the uncertainties relating to COVID-19 pandemic to the Group. The review conclusion has been made available to management and those charged with the governance of Rainbow Tourism Group Limited and its subsidiaries. The Independent Review report on the consolidated interim financial statements is available for inspection at the company's registered office.

Grant Thornton

16 September 2020

ABRIDGED REVIEWED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	INFLATION ADJUSTED 30.06.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 30.06.20 ZW$	HISTORICAL COST 31.12.19 ZW$
ASSETS					
Non current assets					
Property and equipment	4	2 044 192 077	1 961 834 750	796 164 372	748 815 929
Intangible assets	5	5 941 407	5 999 049	1 000 197	1 033 336
Biological assets		164 421	164 421	62 758	62 758
Right of use assets	7	313 308 567	330 622 908	170 671 467	38 460 096
		2 363 606 472	2 298 621 128	967 898 794	788 372 119
Current assets					
Inventories	8	32 292 160	33 039 977	13 588 105	12 611 083
Trade and other receivables	9	45 301 828	165 881 326	45 301 828	63 315 516
Financial Assets		92 532 040	20 350 873	92 532 040	7 767 758
Cash and bank balances	10	15 651 285	27 278 622	15 651 285	27 278 622
		185 777 313	246 550 798	167 073 258	110 972 979
Total assets		**2 549 383 785**	**2 545 171 926**	**1 134 972 052**	**899 345 098**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital		6 078 801	6 078 801	249 550	249 550
Share premium		225 260 821	225 260 821	10 227 505	10 227 505
Revaluation reserve		-	-	572 723 225	572 723 225
Retained earnings		1 685 844 738	1 661 511 235	80 675 890	57 085 050
Total equity		1 917 184 360	1 892 850 857	663 876 170	640 285 330
Non Current liabilities					
Lease obligation	7	165 931 262	69 533 943	165 931 262	26 540 525
Borrowings	11	-	36 433 205	-	13 906 250
Deferred tax liability	6	265 098 966	272 459 261	103 995 423	111 355 718
		431 030 228	**378 426 409**	**269 926 685**	**151 802 493**
Current liabilities					
Borrowings	11	10 055 125	14 962 665	10 055 125	5 710 941
Trade and other payables	12	162 688 431	240 084 756	162 688 431	91 638 345
Bank overdraft	10	24 553 938	4 389 647	24 553 938	4 389 647
Tax payable		3 871 703	10 143 536	3 871 703	3 871 703
Lease liabilities		-	4 314 056	-	1 646 639
		201 169 197	**273 894 660**	**201 169 197**	**107 257 275**
Total liabilities		632 199 425	652 321 069	471 095 882	259 059 768
Total equity and liabilities		**2 549 383 785**	**2 545 171 926**	**1 134 972 052**	**899 345 098**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	INFLATION ADJUSTED 30.06.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 30.06.20 ZW$	HISTORICAL COST 31.12.19 ZW$
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit before working capital changes	13	**(77 116 682)**	**86 579 117**	**24 678 050**	**54 488 489**
Decrease/(increase) in inventories		747 816	(33 852 369)	(977 022)	(10 272 193)
Decrease/(increase) in trade and other receivables		120 579 498	(24 468 563)	18 013 688	(57 061 525)
Increase in trade and other payables		38 297 079	38 297 079	71 050 086	83 326 323
Cash generated from operations		**82 507 711**	**66 555 264**	**112 764 802**	**70 481 094**
Finance income		66 039	260 793	37 967	79 480
Investment Income		42 768 889	38 518 101	(53 316 418)	4 721 514
Income tax paid		(11 523 042)	(15 310 158)	(3 841 014)	(1 876 949)
Finance costs		(1 354 230)	(10 711 400)	(451 410)	(3 125 414)
Net cash generated from operations		**112 465 367**	**79 312 600**	**55 193 927**	**70 279 725**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	4	(114 971 131)	(42 075 080)	(66 098 601)	(40 403 821)
Development of intangible assets	5	(224 795)	(224 795)	(74 932)	(164 080)
Proceeds from sale of financial assets		-	383 903	-	117 000
Lease principal repayment		(12 373 569)	(12 451 201)	(4 124 523)	(4 321 081)
Net cash utilised in investing activities		**(127 569 495)**	**(54 367 173)**	**(70 298 056)**	**(44 771 982)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in borrowings		-	3 999 282	-	725 000
Repayment of borrowings		(16 687 500)	-	(16 687 500)	-
Dividend paid		-	(10 012 975)	-	(3 980 851)
Net cash utilised in financing activities		**(16 687 500)**	**(6 013 693)**	**(16 687 500)**	**(3 255 851)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(31 791 628)**	**18 931 734**	**(31 791 629)**	**22 251 892**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		22 888 975	3 957 241	22 888 975	637 083
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	10	**(8 902 654)**	**22 888 975**	**(8 902 654)**	**22 888 975**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	INFLATION ADJUSTED 30.06.20 ZW$	INFLATION ADJUSTED 30.06.19 ZW$	HISTORICAL COST 30.06.20 ZW$	HISTORICAL COST 30.06.19 ZW$
Revenue	14	**230 382 934**	**469 669 490**	**128 598 370**	**37 008 581**
Cost of sales		(84 693 035)	(121 507 407)	(47 350 651)	(9 574 428)
Gross profit		**145 689 899**	**348 162 083**	**81 247 719**	**27 434 153**
Other operating income	15	134 783 989	40 651 129	92 127 052	3 203 190
Operating expenses	16	(209 596 254)	(258 966 536)	(123 999 735)	(20 405 805)
Earnings before interest, tax, depreciation and amortization		**70 877 634**	**129 846 676**	**49 375 036**	**10 231 538**
Depreciation and amortization		(44 768 945)	(27 503 547)	(27 370 791)	(2 167 199)
Profit from operations		**26 108 689**	**102 343 129**	**22 004 245**	**8 064 339**
Finance expenses		(10 104 764)	(16 981 646)	(5 773 700)	(1 338 104)
Net Monetary gain		25 939 014	-	-	-
Profit before tax		**41 942 939**	**85 361 483**	**16 230 545**	**6 726 235**
Income tax credit/(charge)		7 360 295	(16 566 377)	7 360 295	(1305 382)
Profit for the period		**49 303 234**	**68 795 106**	**23 590 840**	**5 420 853**
Total comprehensive income for the period		**49 303 234**	**68 795 106**	**23 590 840**	**5 420 853**
Earnings per share (cents)	17				
Basic earnings per share		2.00	2.80	0.96	0.22
Headline Earnings per share		2.00	2.80	0.96	0.22

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Share capital ZW$	Share premium ZW$	Non distributable reserve ZW$	Other capital Reserve ZW$	Retained Earnings ZW$	Total equity ZW$
INFLATION ADJUSTED						
Balance at 1 January 2019	**6 078 801**	**225 260 821**	**245 557 538**	5 752 599	**1 357 171 566**	**1 839 821 325**
Total comprehensive income for the period	-	-	-	-	68 795 106	68 795 106
Realisation of non-distributable reserve	-	-	(245 557 538)	-	245 557 538	-
Dividend	-	-	-	-	(10 012 975)	(10 012 975)
Realisation of other capital reserve	-	-	-	(5 752 599)	-	(5 752 599)
Balance at 31 December 2019	**6 078 801**	**225 260 821**	**-**	**-**	**1 661 511 235**	**1 892 850 857**
Total comprehensive income	-	-	-	-	24 333 503	**24 333 503**
Balance at 30 June 2020	**6 078 801**	**225 260 821**	**-**	**-**	**1 685 844 738**	**1 917 184 360**

HISTORICAL COST							
Balance at 1 January 2019	**249 550**	**10 227 505**	**16 711 500**	244 999	9 316 779	**(7 735 628)**	**29 014 705**
Total comprehensive income for the period	-	-	-	-	563 406 446	52 090 029	615 496 475
Realisation of non-distributable reserve	-	-	(16 711 500)	-	-	16 711 500	-
Dividend	-	-	-	-	-	(3 980 851)	(3 980 851)
Realisation of other capital reserve				(244 999)	-	-	(244 999)
Balance at 31 December 2019	**249 550**	**10 227 505**	**-**	**-**	**572 723 225**	**57 085 050**	**640 285 330**
Total comprehensive income	-	-	-	-	-	23 590 840	**23 590 840**
Balance at 30 June 2020	**249 550**	**10 227 505**	**-**	**-**	**572 723 225**	**80 675 890**	**663 876 170**

ABRIDGED REVIEWED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. General information

Rainbow Tourism Group Limited is a company incorporated and domiciled in Zimbabwe. The Group is in tourism services industry as a hotelier, tour operator and provide 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 Zimbabwe Dollars (ZW$) being the functional and reporting currency of the primary economic environment in which the Group operates.

2. New Accounting standards

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

''For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC.The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 6%. The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

3. Statement of compliance

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

The financial statements for the six months ended 30 June 2020 (including comparatives) were approved and authorised for issue by the Board of Directors on 24 August 2020. Amendments to the financial statements are not permitted after approval.

In 2019 the Group has adopted new guidance for the recognition of lease contracts in accordance with IFRS 16. This guidance was applied using a modified retrospective ('cumulative catch-up') approach under which changes do not have a material effect on the consolidated statement of financial position as at 1 January 2018 . Accordingly, the Group is not required to present a third statement of financial position as at that date.

4. Property and equipment

	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.20 ZW$	31.12.19 ZW$	30.06.20 ZW$	31.12.19 ZW$
Opening carrying amount	1 961 834 750	1 642 513 031	748 815 929	43 365 221
Additions to property and equipment	114 971 131	347 332 175	66 098 601	40 403 821
Revaluation	-	-	-	668 305 236
Depreciation charge	(32 613 804)	(27 083 321)	(18 750 158)	(3 150 499)
Carrying amounts of disposed asset	-	(927 135)	-	(107 850)
Closing carrying amount	**2 044 192 077**	**1 961 834 750**	**796 164 372**	**748 815 929**

The Group's assets were revalued by Directors as at 31 December 2019 using the market values to determine fair values. The markert values were the estimated amounts for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arms length transaction.

5. Intangible asset

Opening carrying amount	5 999 049	4 817 329	1 033 336	296 021
Additions	-	1 410 517	-	164 080
Revaluations	-	-	-	599 850
Amortization charge	(57 642)	(228 797)	(33 139)	(26 615)
Closing carrying amount	**5 941 407**	**5 999 049**	**1 000 197**	**1 033 336**

The intangible assets were revalued by the Directors as at 31 December 2019.

6. Deferred tax reconciliation

Inflation Adjusted

Deferred tax liabilities (assets)	1 January 2020	Recognition in profit or loss account	Recognition in other comprehensive income	30 June 2020
Non current asset-PPE	188 929 851	(4 353 603)		184 576 248
Current assets	(10 653 374)	(5 909 094)	-	(16 562 468)
current liabilities- Unused tax losses	94 182 784	2 902 402	-	97 085 186
	272 459 261	(7 360 295)	-	265 098 966

Historical Cost

Deferred tax liabilities (assets)	1 January 2020	Recognition in profit or loss account	Recognition in other comprehensive income	30 June 2020
Non current asset-PPE	62 976 617	(1 451 201)	-	61 525 416
Current assets	(3 551 125)	(5 909 094)	-	(9 460 219)
current liabilities- Unused tax losses	51 930 226	-	-	51 930 226
	111 355 718	(7 360 295)	-	103 995 423

All deferred tax assets (including tax losses and other tax credits) have been recognised in the statement of financial position.

7. Right of use assets

	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.20 ZW$	31.12.19 ZW$	30.06.20 ZW$	31.12.19 ZW$
Balance at beginning of the year	330 622 908	349 044 378	38 460 096	40 602 995
Depreciation	(17 314 341)	(18 421 470)	(9 954 270)	(2 142 899)
Revaluation of the lease liability		-	142 165 641	
Closing balance	**313 308 567**	**330 622 908**	**170 671 467**	**38 460 096**

Right of use assets relates to the Group's three leased properties which are Rainbow Towers Hotel and Conference Centre, Kadoma Hotel and Conference Centre and New Ambassador Hotel. The three leases maturity tunure is 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 balance sheet

Right of use asset	Remaining term	Option for an extention	Payment index to reveues
Rainbow Towers Hotel	18 years	Yes	Yes
Kadoma Hotel	19 years	Yes	yes
New Ambassador Hotel	6 years	Yes	Yes

8. Inventories

	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.20 ZW$	31.12.19 ZW$	30.06.20 ZW$	31.12.19 ZW$
Food and beverage	8 073 040	12 740 790	4 755 837	4 863 053
Service stocks	17 760 688	14 368 769	6 929 934	5 484 439
Other stocks	6 458 432	5 930 418	1 902 335	2 263 591
	32 292 160	**33 039 977**	**13 588 105**	**12 611 083**

9. Trade and other receivable

Trade receivables	25 032 505	91 661 315	25 032 505	34 986 358
Prepayments and other	20 269 323	74 220 011	20 269 323	28 329 158
	45 301 828	**165 881 326**	**45 301 828**	**63 315 516**

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 2020 was determined as follows:

Trade receivables	More than 60 days past due	More than 90 days past due	More than 120 days past due	TOTAL
	ZW$	ZW$	ZW$	ZW$
Gross carrying amount	1 756 745	255 211	8 316 619	10 328 575
Expected loss rate	2.0%	10.0%	100.0%	81%
Credit loss allowance	35 135	25 521	8 316 619	8 377 275

10. Cash and cash equivalents

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

Cash and bank balances	15 651 285	27 278 622	15 651 285	27 278 622
Bank overdraft	(24 553 938)	(4 389 647)	(24 553 938)	(4 389 647)
	(8 902 653)	**22 888 975**	**(8 902 653)**	**22 888 975**

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

11. Borrowings

Long-term	-	36 433 205	-	13 906 250
Short- term	10 055 125	14 962 655	10 055 125	5 710 941
	10 055 125	**51 395 870**	**10 055 125**	**19 617 191**

On 3 December 2019 the Board of Directors approved the early repayment of the debentures. The repayment was approved by the Zimbabwe Stock Exchange and paid off on 30 June 2020. At the time of payment the Group was up to date with debentures coupon payments.

The short term borrowings relates to the facility extended towards the purchase of transfer buses for Heritage Expeditions Africa.

12. Trade and other payables

Trade payables	19 456 901	24 251 943	9 256 764	9 256 764
Accruals and other payables	143 231 530	215 832 813	153 431 667	82 381 581
	162 688 431	**240 084 756**	**162 688 431**	**91 638 345**

13. Operating profit before working capital changes

Profit before tax	41 942 939	256 045 606	16 230 545	58 827 508
Depreciation & amortization charges	44 768 945	23 996 265	27 370 792	5 320 013
Other income	(147 928 276)	(67 376 687)	(24 696 987)	(10 609 352)
Monetary loss	(25 939 015)	(129 411 587)	-	-
Unrealised exchange gains	-	(7 125 088)	-	(2095 614)
Finance costs	10 104 764	10 711 400	5 811 667	3 125 414
Finance income	(66 039)	(260 793)	(37 967)	(79 480)
	(77 116 682)	**86 579 117**	**24 678 050**	**54 488 489**

14. Revenue

	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.20 ZW$	30.06.19 ZW$	30.06.20 ZW$	30.06.19 ZW$
Rooms revenue	114 082 400	225 916 654	65 587 657	17 801 571
Food, beverages and conferencing	97 589 801	229 803 181	56 105 817	18 107 818
Other operating activities	18 710 733	13 949 655	6 904 896	1 099 192
	230 382 934	**469 669 490**	**128 598 370**	**37 008 581**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (cntd)

15. Other Income

	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.20 ZW$	30.06.19 ZW$	30.06.20 ZW$	30.06.19 ZW$
Rental from tenants	14 035 708	4 369 395	8 069 336	508 275
Fair value adjustment (FML)	113 907 921	31 201 254	81 362 801	1 690 152
Sundry income	6 840 360	5 080 480	2 694 915	1 004 763
	134 783 989	**40 651 129**	**92 127 052**	**3 203 190**

16. Operating expenses

Administrative expenses	(160 115 574)	(154 368 285)	(92 052 808)	(12 163 769)
Distribution expenses	(27 339 245)	(51 668 721)	(15 717 736)	(4 071 344)
Other operating expenses	(22 141 435)	(52 929 530)	(16 229 191)	(4 170 692)
	(209 596 254)	**(258 966 536)**	**(123 999 735)**	**(20 405 805)**

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	49 303 234	68 795 106	23 590 840	5 420 853
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)	2.00	2.80	0.96	0.22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (cntd)

17.2 Headline earnings per share

	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.20 ZW$	30.06.19 ZW$	30.06.20 ZW$	30.06.19 ZW$
Profit attributable to shareholders	49 303 234	68 795 106	23 590 840	5 420 853
Less profit on sales fixed assets	(201 500)	-	(67 167)	-
	49 101 734	**68 795 106**	**23 523 673**	**5 420 853**
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)	2.00	2.80	0.96	0.22

18. 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, and reports directly to the Finance Director.

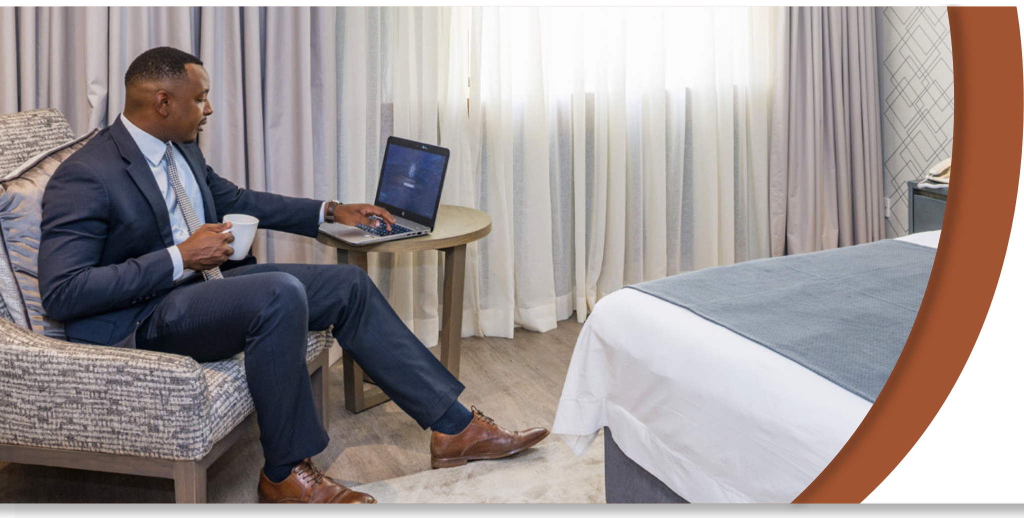
19. Events after the reporting date.

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

20. Going concern and impact of COVID-19 on operations

The world experienced an outbreak of COVID-19 disease during the period under review. The pandemic resulted in world wide travel restrictions which signifiantly affected the Group's operations. On 27 March 2020, the Government of Zimbabwe through Satutory 83 of 2020 announced a national lockdown enforcing the closure of business activities except for essential services. The Group temporarily closed all its operations effective 30 March 2020. The closure resulted in the Group losing revenues for the months of April and May 2020.

The two Victoria Falls properties remained closed for the rest of the first half due the absence of airlines into the region. The Directors have assessed the ability of the Group to continue to operate as a going concern and the preparation of these abridged interim consolidated financial statements on a going concern basis is appropriate. The seasonality trend of the business was affected by COVID-19. Usually the second half of the year contributes 60% of the business annual revenues.



This COVID-19 storm will pass. For now, Let's stand

Together

to outlast the storm.

Stay **Safe**. Stay **Strong**

"As the novel corona virus (COVID-19) storm swept across the globe in its merciless and relentless march destroying economies and wrecking lives, none was safe in its wake. Every country closed its borders save only for those people who were forced to repatriate to their homelands. Fear gripped the entire world as the science was imprecise with guidelines constantly shifting. Zimbabwe was not spared from this human migration as many of our citizens came back to their motherland. *Someone* had to receive them, *someone* had to love them, *someone* had to open their doors to welcome them. "Try next door" was the constant refrain but alas, there was no next door. All doors were well shut as everybody rightfully observed the lockdown guidelines and obeyed the advice to "stay safe". As Rainbow Tourism Group (RTG) we chose to be that *someone*!"

"RTG is proud to have stood with the Government and the people of Zimbabwe in welcoming and looking after more than 1000 of our returning citizens. We are proud of our teams and applaud them for their commitment and selflessness as they stay true to the essence of hospitality – looking after others – in times of happiness and challenges. Since re-opening in May 2020 after the Presidential announcement to re-open essential services none of our employees at any of our hotels tested positive for COVID-19."

"As the storm begins to recede, the rain still falls, the sun begins to appear, look out for the shimmer of the Rainbow which signifies hope and a new beginning. We thank the Lord for His mercies. We invite you to join us and experience refreshing moments with us in the confidence that we stood together in the face of the storm in the understanding that our systems which were tested to the severest extent, beyond the bounds of imagination proved to be strong and delivered consistently and did not fail."

T Madziwanyika
Chief Executive

Your Safety - Our Priority

www.rtgafrica.com

Grant Thornton
Camelsa Business Park
135 Enterprise Road, Highlands
PO Box CY 2619
Causeway, Harare
Zimbabwe

T +263 4 442511-13
F +263 4 442517/ 496985
E info@zw.gt.com
www.grantthornton.co.zw

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the members of Rainbow Tourism Group Limited and its subsidiaries

We have reviewed the accompanying inflation adjusted consolidated statement of financial position of Rainbow Tourism Group Limited and its subsidiaries as at 30 June 2020 and the related inflation adjusted consolidated statement of profit or loss and other comprehensive income, inflation adjusted consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant group accounting policies and other explanatory notes.

Responsibilities of Management and Those Charged with Governance for the inflation adjusted consolidated interim financial information

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* and the Group's accounting policies, this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of inflation adjusted consolidated interim financial information that are free of material misstatement whether due to fraud or error.

Our responsibility is to express a 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 Adverse Conclusion

Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates and International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) issued a Monetary Policy Statement which directed banks to separate bank accounts into Real Time Gross Settlement Foreign Currency Accounts (RTGS FCAs) and Nostro FCAs. The economic environment during the year ended 31 December 2019 was characterised by 'multi-tiered' pricing, and the Group transacted predominantly in RTGS FCA (electronic payments), including mobile money, bond notes and coins.

On 20 February 2019, a Monetary Policy Statement was issued, denominating the existing RTGS balances, bond notes and coins in circulation as RTGS dollars in order to establish an exchange rate between the existing monetary balances and foreign currency. The RTGS dollars became part of the multi-currency system in Zimbabwe through the issuance of statutory instrument (S.I.) 33/2019, with an effective date of 22 February 2019. The statutory instrument provided that for accounting and other purposes, all assets and liabilities that were immediately before the effective date, valued and expressed in United States dollars shall on and after the effective date be deemed to be values in RTGS dollars at a rate of 1:1 to the United States dollar. This was not consistent with IAS 21 – *The Effects of Changes in Foreign Exchange Rates* which requires that an assessment be made of the change in functional currency and that financial information be presented at a rate that approximates the market rate. The Group had to be guided by S.I. 41/2019 which states that in the case of any inconsistency between a local pronouncement issued by the Board through a notice in the Government Gazette and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency.

In compliance with SI 33/2019, the Group maintained its functional currency as the USD from 1 January 2019 to 22 February 2019 using an exchange rate of 1:1 between the RTGS FCA and Nostro FCA and changed to Zimbabwe Dollar as presented in the financial statements. This constitutes a departure from the requirements of IAS 21 – *The Effects of Changes in Foreign Exchange Rates*. Had the financial information been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Group's inability to comply with IAS 21 has been determined as significant. The effects on the financial information of the non-compliance with IAS 21 are considered material and pervasive to the financial information, taken as a whole.

On 11 October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement relating to the application of IAS 29 – *Financial Reporting in Hyperinflationary Economies*. The PAAB advised that there is broad market consensus within the accounting and auditing professions that the factors and characteristics to apply the Financial Reporting in Hyperinflationary Economies Standard (IAS 29), in Zimbabwe had been met. The Directors have applied the IAS 29 – *Financial Reporting in Hyperinflationary Economies* with effect from 1 October 2019. However, as a result of the need to comply with the requirements of S.I. 33 of 2019, the changes in the general pricing power of the functional currency were applied on amounts that were not restated to resolve the matters which resulted in an adverse report in the prior year. This approach resulted in a consequential departure from the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies.

Had the Group fully applied the requirements of IAS 29 on restated base numbers, many of the elements of the financial information would have been materially impacted and therefore the departure from the requirements of these standards is considered to be pervasive.

Fair value determination of transactions, assets and liabilities

The determination of fair values for transactions, assets and liabilities presented in the financial information is affected by the prevailing economic environment and may therefore be distorted. This may result in significant variations in fair values, depending on factors and assumptions used in the determination of fair values.

Emphasis of matter

We draw attention to **note 20** to the inflation adjusted consolidated interim financial information, which describes the uncertainties relating to the possible effects of the COVID-19 pandemic on the Group. The Group is unable to presently determine the impact of the Covid-19 pandemic on its operations in the year 2020.Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, the accompanying inflation adjusted consolidated interim financial information do not present fairly, in all material respects the financial position of Rainbow Tourism Group Limited and its subsidiaries as at 30 June 2020, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards.

The engagement partner on the review engagement resulting in this independent review conclusion is Edmore Chimhowa.

Grant Thornton

Edmore Chimhowa
Partner

Registered Public Auditor **(**PAAB No: 0470)

Grant Thornton 16 September 2020
Chartered Accountants (Zimbabwe)
Registered Public Auditors

HARARE