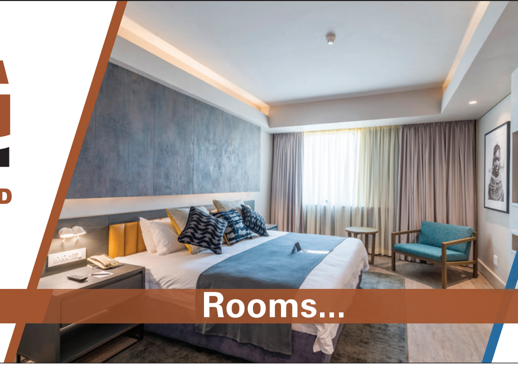
RTG

RAINBOW TOURISM GROUP LTD

The future is here now!



Rooms...

Experiences...

GATEWAY STREAM

The Future is Here Now!

One-stop shop...

ABRIDGED AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

PERFORMANCE HIGHLIGHTS

HISTORICAL

Revenue	Profit before tax margin	EBITDA
ZW$740Million	22%	31%
Up by ↑ 237%	Down from ↓ 27%	Margin remained unchanged

INFLATION ADJUSTED

Revenue	Profit before tax margin	EBITDA
ZW$1Billion	39%	42%
Down by ↓ 66%	Up from ↑ 29%	Up from ↑ 32%

Occupancy
26%
Down from ↓ 47%

- **Fully repaid the 6% debenture (ZW$16.8million)**
- **Gearing now at 1%**
- **Refurbished 183 rooms at Rainbow Towers Hotel**
- **Activated the new business: Gateway Stream**

CHAIRMAN'S STATEMENT

1. INTRODUCTION

The Group continued to be resilient in the face of significant uncertainty created by the COVID-19 pandemic. At a time when the tourism industry globally faced headwinds arising from the pandemic, the Group's fundamentals remained strong. Our efficient and lean organizational structure, built through the business restructuring processes as undertaken over the past several years, prepared the Group to adapt to the obtaining environment. By the time the COVID-19 pandemic spread, Rainbow Tourism Group (RTG) had already positioned itself as a tech-driven business and had undergone three years of development in this area. With the advent of the COVID-19 induced lockdowns, the Group quickly configured the Gateway Stream mobile and web application in recognition of the significant shift in consumer behavior that moved the market to adopt online commerce.

2. OPERATING ENVIRONMENT

The operating environment remained volatile during the first half of the year due to price distortions mainly affected by exchange rate inconsistencies. This has since improved following the introduction of the foreign exchange auction market which created exchange rate stability. The situation was compounded by the worldwide outbreak of the COVID-19 pandemic which brought the world to a standstill. The global tourism economy was heavily impacted by measures introduced to contain the spread of COVID-19, that 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.

Heightened cases of COVID-19 in South Africa meant the disruption of international arrivals into sub-Saharan Africa. This is due to the fact that South Africa remains the hub of tourism into the region. The effects of these disruptions led to closure of the Victoria Falls market as well as reduced numbers into city hotels. Although the restrictions were gradually lifted in South Africa as well as in Zimbabwe during the year, the fear and uncertainty surrounding the pandemic created great caution among travellers resulting in reduced business and leisure travel.

3. PERFORMANCE REVIEW

Occupancy for the year under review closed at 26% compared to 47% recorded in 2019. The Group posted revenues of ZW$1.1 billion, 66% below ZW$3.2 billion posted in 2019. Gross margins closed at 71%, slightly lower than 73% posted in 2019.

I am pleased to report that the Group posted an Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) margin of 42%, a growth of 31% compared to 32% posted in 2019. The growth in EBITDA margin was mainly because of various cost reduction initiatives adopted during the year in response to lower business volumes. The net profit margin for the year closed at 39% in 2020 compared to 29% in 2019.

With the closure of the two Victoria Falls hotels for the greater part of the year, the Group's performance was mainly sustained by its city hotels. The Group enjoys superior location advantage as 80% of its rooms stock sit on the commercial trunk of the country (the Harare Bulawayo trunk), with optimum dispersion. As a result, the Group benefited from the residual economic activity during the hospitality slowdown in 2020.

The Group's statement of financial position closed on a positive note. During the year, the Group repaid the debenture of ZW$16.7 million in full. This instrument was issued in February 2018 at an interest rate of 6% and tenure of 7 years. The early repayment of the debenture released the Group's assets which were pledged as security. The Group's gearing now stands at 1%.

At the height of the COVID-19 pandemic in June 2020, where the science kept shifting and changing with the world unclear on how to navigate, RTG is proud to have stood with the Government and the people of Zimbabwe in welcoming and looking after more than 1400 of our returning citizens. The Group developed and implemented a four-point strategy that focused on; systems & processes, training, compliance as well as resourcing. These included incorporating guidelines as issued by the World Health Organisation (WHO) and the Ministry of Health and Child Care into its standard operating procedures and systems (as developed under ZWS ISO 9001:2015 standard risk-based thinking approach).

The Group invested in Personal Protective Equipment for all staff and was thorough in equipping them with information and procedures to be followed. The Group's success thus far is attributed to its ability to adapt to the new normal. The risk-based thinking approach enshrined in the ZWS ISO 9001:2015 standard has been the overriding principle in successfully adapting our processes in mitigating the risks presented by COVID-19.

4. TOUR OPERATIONS BUSINESS

During the year under review, the Group wound up the operations of Journeys by Exotic in the United States of America (USA) following an assessment of its ability to continue to operate as a going concern. The increasing uncertainty in the USA market due to heightened cases of COVID-19 necessitated the need to discontinue the operation effective 31 August 2020.

The Group's local tour operations arm, Heritage Expeditions Africa (HExA) was severely affected by the effects of the pandemic. HExA resumed operations in September 2020 following the relaxation of the lockdown restrictions. However, HExA revenues grew in the last quarter of the year to close on ZW$6.2 million, six times more than ZW$1 million recorded in 2019. The Group remains optimistic that increased domestic tourism activity will drive an increase in HExA revenues in 2021.

5. GATEWAY STREAM

The Gateway Stream web and mobile application is a global diversified and unified online business ecosystem that delivers perpetual, passive and active income through the ownership of markets where it connects customers with the highest quality of products and services. The challenges of the COVID-19 pandemic and the subsequent lockdowns have led to the growth in business in the digital space. Gateway Stream has been positioned as a driver of revenue and continues to capitalize on the opportunities presented by e-commerce. The platform entails various revenue generating channels which are expected to drive revenues in 2021 and beyond.

Additionally, the Group redeployed staff from those hotels that were closed into Gateway Stream to capacitate different regions across the country thereby leveraging the 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, electrical, ceiling works, new bathrooms, installation of two brand new guest elevators and new in-room furniture and fittings at a total project cost of an equivalent of US$4.4 million. The hotel now offers world-leading rooms that can compete with other comparable 5-star facilities.

7. SUSTAINABILITY

The Group continued on its sustainability reporting journey. Throughout the year, 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. In addition the Group remains one of the few local organisations registered on the global GRI database.

8. CORPORATE SOCIAL INVESTMENT

The Group re-aligned its Corporate Social Investment strategy to focus on philanthropy initiatives targeted at the COVID-19 pandemic. This included the donation of food stuffs to various children's homes in all the cities where the Group has operations. Some of the beneficiaries were Hupenyu Hutsva and Harare Children's homes.

In response to the imminent need to capacitate the country's medical facilities in anticipation of the likely spike in COVID-19 infections the Group responded to the call from Government for private sector participation to fight the pandemic. Drawing from the linen stocks which were available at all the hotels across the country, the Group donated a total of 3100 linen items comprising bed sheets, blankets, towels, pillows and pillow-cases, valued at ZW$800,000. The items were channelled to the designated COVID-19 health facilities which included Wilkins & Beatrice Infectious Diseases Hospitals, Thorngrove Infectious Diseases Hospital in Bulawayo, Victoria Falls, Kadoma Ministry of Health and Child Care provincial centres.

The Group launched and activated the Gateway Stream Music mobile and web application in November 2020. This was after the realisation of a gap with regards access to information as well as strategies to help local artists monetise their trade. In pursuance of these objectives, the Group hosted two educational workshops which were attended by a total of 200 artists, promoters and journalists during the final quarter of 2020.

9. DIRECTORATE

Mr. Simon Masanga and Dr. Priscilla Mujuru resigned as directors of the Company on 27 April 2020 and 8 March 2021 respectively. On behalf of the Board and management, we would like to thank them for their service and wish them well in their future endeavours. We would like to welcome Mr. Givemore Taputaira and Ms. Monica Vimbai Hanga who were co-opted onto the Board during the year.

10. DIVIDEND

Due to the uncertainty around the current operating environment and the need to preserve cash, the Board of Directors resolved to not declare a dividend for the year ended 31 December 2020.

11. OUTLOOK

The tourism industry was adversely affected by the COVID-19 pandemic. While the current situation is likely to persist into early 2021, we remain confident that the tourism industry will in time rebound and set the hotel business on a path towards recovery. A glimmer of hope has come from the ongoing vaccine efforts around the world and in Zimbabwe. This process is expected to facilitate the quick recovery of economies worldwide as well as the gradual recovery of international travel.

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. Gateway Stream seeks to be a significant player in that space alongside global e-commerce giants that provide access to hospitality and leisure products.

The Group will continue to explore the various opportunities presented through its digitisation initiatives as driven by the Gateway Stream. These opportunities are all supported by the multi-app architecture of the Gateway Stream ensuring value to all its 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

25 March 2021

INDEPENDENT EXTERNAL AUDITOR'S STATEMENT

These abridged consolidated financial statements should be read in conjunction with the full set of audited financial statements of Rainbow Tourism Group Limited and its subsidiaries for the year ended 31 December 2020, which have been audited by Independent Auditors, Messrs Grant Thornton Chartered Accountants. The audit opinion on the Group's financial statements is an adverse opinion because of non-compliance with International Accounting Standard (IAS) 21-The Effects of Changes in Foreign Exchange Rates and International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies. There is a material uncertainty related to going concern regarding the possible impact of the uncertainties relating to COVID-19 pandemic to the Group. The audit report includes a section on key audit matters comprising of the valuation of property and equipment and revenue recognition. The Independent Auditor's report on the consolidated financial statements is available for inspection at the company's registered office.

Grant Thornton

Edmore Chimhowa **30 March 2021**
Partner
Registered Public Auditor (PAAB No: 0470)

Grant Thornton Chartered Accountants (Zimbabwe)
Registered Public Auditors

ABRIDGED AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Notes	INFLATION ADJUSTED 31.12.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 31.12.20 ZW$	HISTORICAL COST 31.12.19 ZW$
ASSETS					
Non current assets					
Property and equipment	4	1 920 253 910	1 755 070 592	3 744 082 868	748 815 929
Intangible assets	5	14 548 217	4 635 397	9 782 403	1 033 336
Biological assets		73 800	281 523	73 800	62 758
Right of use assets	6	968 405 189	989 994 919	155 014 596	38 460 096
		2 903 281 116	**2 749 982 431**	**3 908 953 667**	**788 372 119**
Current assets					
Inventories	7	56 682 143	56 571 498	27 720 785	12 611 083
Trade and other receivables	8	221 548 007	284 024 533	221 548 007	63 315 576
Other financial assets	9	239 806 164	34 845 041	239 806 164	7 767 758
Cash and bank balances	10	70 350 924	122 367 960	70 350 924	27 278 622
		588 387 238	**497 809 032**	**559 425 880**	**110 973 039**
TOTAL ASSETS		**3 491 668 354**	**3 247 791 463**	**4 468 379 547**	**899 345 158**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital		10 408 205	10 408 205	249 550	249 550
Share premium		385 694 641	385 694 641	10 227 505	10 227 505
Revaluation reserve		-	-	3 171 641 965	572 723 225
Retained earnings		2 041 738 295	1 689 583 631	232 433 314	57 085 050
Total equity		**2 437 841 141**	**2 085 686 477**	**3 414 552 334**	**640 285 330**
Non Current liabilities					
Lease liabilities	6	122 918 189	119 056 963	122 918 189	26 540 525
Long-term borrowings	11	-	62 381 430	-	13 906 250
Deferred tax liabilities	12	446 464 294	499 525 674	446 464 294	111 355 718
		569 382 483	**680 964 067**	**569 382 483**	**151 802 493**
Current liabilities					
Short-term borrowings	11	8 911 475	25 618 457	8 911 475	5 710 941
Trade and other payables	13	430 894 524	411 076 382	430 894 524	91 638 344
Bank overdraft	10	33 127 153	19 691 323	33 127 153	4 389 647
Tax payable		3 871 703	17 367 901	3 871 703	3 871 703
Lease liabilities	6	7 639 875	7 386 856	7 639 875	1 646 700
		484 444 730	**481 140 919**	**484 444 730**	**107 257 335**
TOTAL LIABILITIES		**1 053 827 213**	**1 162 104 986**	**1 053 827 213**	**259 059 828**
TOTAL EQUITY AND LIABILITIES		**3 491 668 354**	**3 247 791 463**	**4 468 379 547**	**899 345 158**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	INFLATION ADJUSTED 31.12.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 31.12.20 ZW$	HISTORICAL COST 31.12.19 ZW$
Revenue	15	**1 106 355 087**	**3 228 706 229**	**740 028 564**	**219 355 239**
Cost of sales		(343 555 510)	(767 901 741)	(216 183 770)	(52 170 516)
Gross profit		**762 799 577**	**2 460 804 488**	**523 844 794**	**167 184 723**
Other operating income	16	466 011 317	227 188 188	290 137 483	15 434 950
Operating expenses	17	(670 177 737)	(1 621 053 240)	(586 596 915)	(115 426 218)
Earnings before interest, tax, depreciation and amortization		**558 633 157**	**1 066 939 436**	**227 385 362**	**67 193 455**
Depreciation and amortization		(97 168 177)	(77 913 927)	(48 718 658)	(5 320 013)
Profit from operations		**461 464 980**	**989 025 509**	**178 666 704**	**61 873 442**
Net finance costs		(25 972 046)	(44 833 331)	(12 442 115)	(3 045 934)
Net monetary loss		(92 461 946)	-	-	-
Profit before tax		**343 030 988**	**944 192 178**	**166 224 589**	**58 827 508**
Income tax credit/(charge)		9 123 676	(30 223 357)	9 123 676	(6 737 479)
Profit after tax		**352 154 664**	**913 968 821**	**175 348 265**	**52 090 029**
Other comprehensive income:					
Subsequently to profit or loss					
Gain on property revaluation, net of tax		-	-	2 598 918 740	563 406 446
Total comprehensive income for the year		**352 154 664**	**913 968 821**	**2 774 267 005**	**615 496 475**
Earnings per share (cents)	18				
Basic earnings per share		14.32	37.16	7.13	2.12
Headline earnings per share		13.68	37.16	6.82	2.12

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	INFLATION ADJUSTED 31.12.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 31.12.20 ZW$	HISTORICAL COST 31.12.19 ZW$
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit before working capital changes	14	**349 760 201**	**931 471 588**	**3 275 857**	**54 488 486**
Increase in inventories		(110 645)	(46 079 575)	(15 109 702)	(10 272 193)
Decrease/(increase) in trade and other receivables		62 476 526	(255 969 763)	(158 232 429)	(57 061 525)
Increase in trade and other payables		19 818 142	373 789 863	339 256 180	83 326 325
Cash generated from operations		**431 944 224**	**1 003 212 113**	**169 189 904**	**70 481 093**
Finance income		-	162 517	-	79 480
Investment Income		1 542 175	9 654 328	754 211	4 721 514
Income tax paid		(1 060 977)	(6 390 698)	(518 878)	(3 125 414)
Finance costs		(17 065 979)	(3 837 890)	(8 346 232)	(1 876 946)
Net cash generated from operations		**415 359 443**	**1 002 800 370**	**161 079 004**	**70 279 727**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	4	(243 505 606)	(594 706 865)	(119 088 053)	(40 403 820)
Development of intangible assets	5	(10 440 871)	(2 415 106)	(5 106 178)	(164 080)
Proceeds from the sale of property and equipment		15 701 469	-	7 678 909	
Proceeds from the sale of other financial assets		-	1 722 132	-	117 000
Lease principal payment		(28 252 086)	(63 603 360)	(13 542 383)	(4 321 084)
Net cash utilised in investing activities		**(266 497 094)**	**(659 003 199)**	**(130 057 705)**	**(44 771 984)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		-	10 671 329	-	725 000
Repayment of borrowings		(16 687 500)	-	(16 687 500)	-
Dividend paid		-	(58 594 443)	-	(3 980 851)
Net cash outflow from financing activities		**(16 687 500)**	**(47 923 114)**	**(16 687 500)**	**(3 255 851)**
The effects of inflation on cash and cash equivalent		(197 627 711)	(196 056 282)	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(65 452 862)**	**99 817 775**	**14 334 796**	**22 251 892**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		102 675 637	2 857 862	22 888 975	637 083
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10	**37 222 775**	**102 675 637**	**37 223 771**	**22 888 975**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

INFLATION ADJUSTED

	Share capital ZW$	Share premium ZW$	Non distributable reserve ZW$	Other capital reserve ZW$	Retained earnings ZW$	Total equity ZW$
Balance at 1 January 2019	**10 408 205**	**385 694 641**	**942 508 064**	**6 826 624**	**(108 298 793)**	**1 237 138 723**
Total comprehensive income for the year	-	-	-	-	913 968 821	913 968 821
Realisation of non-distributable reserve	-	-	(942 508 064)	-	942 508 064	-
Dividend paid	-	-	-	-	(58 594 443)	(58 594 443)
Realisation of other capital reserve	-	-	-	(6 826 624)	-	(6 826 624)
Balance at 31 December 2019	**10 408 205**	**385 694 641**	-	-	**1 689 583 631**	**2 085 686 477**
Total comprehensive income for the year	-	-	-	-	352 154 665	352 154 665
						-
Balance at 31 December 2020	**10 408 205**	**385 694 641**	-	-	**2 041 738 296**	**2 437 841 143**

HISTORICAL COST

	Share capital ZW$	Share premium ZW$	Non distributable reserve ZW$	Other capital Reserve ZW$	Revaluation reserve ZW$	Retained Earnings ZW$	Total equity ZW$
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 year	-	-	-	-	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 comprehensive income				(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 for the year	-	-	-	-	-	2 774 267 005	2 774 267 005
							-
Balance at 31 December 2020	**249 550**	**10 227 505**	**-**	**-**	**572 723 225**	**2 831 352 055**	**3 414 552 335**

Directors: A. Manase (Chairman), T. Madziwanyika (CEO), K. Chibota, D. Hoto, C. Malaba, D. Mavhembu, N. Mtukwa (FD), M. Hanga, M. Murambiwa, G. Taputaira

A subsidiary of Rainbow Tourism Group

ABRIDGED AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

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

There were no new accounting standards that were in issue which affected the Group's financial statements in 2020.

3. Statement of compliance

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 2020 (including comparatives) were approved and authorised for issue by the Board of Directors on 25 March 2021. Amendments to the financial statements are not permitted after approval.

The Group has made adjustments to the historical financial statements in line with the requirements of IAS 29-Financial Reporting in Hyperinflationary Economies. IAS 29 requires that the financial statements be prepared in the currency of a hyperinflationary economy and be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement was calculated by means of conversion factors derived from the Zimbabwe Consumer Price Index (CPI) issued by the Zimbabwe Central Statistical Office. The indices and conversion factors used to restate the accompanying financial statements at 31 December 2020, are as follows:

	Index	Conversion Factor
31 December 2020	2 474.51	1.000
31 December 2019	551.63	4.486

4. Property and equipment

	INFLATION ADJUSTED 31.12.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 31.12.20 ZW$	HISTORICAL COST 31.12.19 ZW$
Opening carrying amount	1 755 070 592	1 208 323 609	748 815 929	43 365 221
Additions to property and equipment	243 505 606	594 706 865	119 088 053	40 403 820
Revaluation surplus	-	-	2 915 680 836	668 305 237
Depreciation charge	(75 578 449)	(46 372 430)	(38 160 057)	(3 150 499)
Carrying amounts of disposed assets	(2 743 839)	(1 587 452)	(1 341 893)	(107 850)
Closing carrying amount	**1 920 253 910**	**1 755 070 592**	**3 744 082 868**	**748 815 929**

During the course of the year the Group revalued its assets. The valuation exercise was through directors valuation and independent valuer.

5. Intangible assets

	INFLATION ADJUSTED 31.12.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 31.12.20 ZW$	HISTORICAL COST 31.12.19 ZW$
Opening carrying amount	4 635 397	2 612 041	1 033 336	296 021
Development of intangible assets	10 440 871	2 415 106	5 106 178	164 080
Revaluation surplus	-	-	3 901 136	599 850
Amortization charge	(528 051)	(391 750)	(258 247)	(26 615)
Closing carrying amount	**14 548 217**	**4 635 397**	**9 782 403**	**1 033 336**

6. Right of use assets

	INFLATION ADJUSTED 31.12.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 31.12.20 ZW$	HISTORICAL COST 31.12.19 ZW$
Balance at beginning of the year	989 994 919	1 021 536 409	38 460 096	40 602 995
Depreciation	(21 589 730)	(31 541 490)	(15 481 921)	(2 142 899)
Revaluation of the lease liability	-	-	132 036 421	-
Closing balance	**968 405 189**	**989 994 919**	**155 014 596**	**38 460 096**

Right of use assets relate to the Group's three leased properties which are Rainbow Towers Hotel & Conference Centre, Kadoma Hotel and Conference Centre and New Ambassador Hotel. The three leases maturity tenure 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
Rainbow Towers Hotel	17 years	Yes
Kadoma Hotel	18 years	Yes
New Ambassador Hotel	5 years	Yes

Lease liabilities	INFLATION ADJUSTED 31.12.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 31.12.20 ZW$	HISTORICAL COST 31.12.19 ZW$
Current liabilty	7 639 875	7 386 856	7 639 875	1 646 700
Non-current liability	122 918 189	119 056 963	122 918 189	26 540 525
	130 558 064	**126 443 819**	**130 558 064**	**28 187 225**

7. Inventories

	INFLATION ADJUSTED 31.12.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 31.12.20 ZW$	HISTORICAL COST 31.12.19 ZW$
Food and beverage	24 703 609	21 814 956	12 081 466	4 863 053
Service stocks	6 779 253	24 602 401	3 315 439	5 484 439
Other stocks	25 199 281	10 154 141	12 323 880	2 263 591
	56 682 143	**56 571 498**	**27 720 785**	**12 611 083**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020(continued)

8. Trade and other receivables

	INFLATION ADJUSTED 31.12.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 31.12.20 ZW$	HISTORICAL COST 31.12.19 ZW$
Trade receivables	173 763 302	112 292 205	173 763 302	25 032 505
Prepayments and other receivables	47 784 705	171 732 328	47 784 705	38 283 071
	221 548 007	**284 024 533**	**221 548 007**	**63 315 576**

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 credit loss allowance for trade receivables as at 31 December 2020 was determined as follows:

Trade receivables	Current ZW$	More than 30 days past due ZW$	More than 60 days past due ZW$	More than 90 days past due ZW$	More than 120 days past due ZW$	TOTAL ZW$
Gross carrying amount	69 844 168	42 139 170	49 053 015	15 231 121	1 589 081	177 856 555
Average expected loss rate	0.5%	1.5%	2.0%	10.0%	100.0%	22.8%
Credit loss allowance	**349 221**	**632 088**	**981 060**	**1 523 112**	**1 589 081**	**5 074 562**

9. Other financial assets

	INFLATION ADJUSTED 31.12.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 31.12.20 ZW$	HISTORICAL COST 31.12.19 ZW$
Listed securities				
Balance at 1 January	34 845 041	13 910 629	7 767 758	3 100 998
Fair value adjustment	204 961 123	20 934 412	232 038 406	4 666 760
Closing balance	**239 806 164**	**34 845 041**	**239 806 164**	**7 767 758**

10. Cash and cash equivalents

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

	INFLATION ADJUSTED 31.12.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 31.12.20 ZW$	HISTORICAL COST 31.12.19 ZW$
Cash and bank balances	70 350 924	122 367 960	70 350 924	27 278 622
Bank overdrafts	(33 127 153)	(19 691 323)	(33 127 153)	(4 389 647)
	37 223 771	**102 676 637**	**37 223 771**	**22 888 975**

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

11. Borrowings

	INFLATION ADJUSTED 31.12.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 31.12.20 ZW$	HISTORICAL COST 31.12.19 ZW$
Long-term borrowings	-	62 381 430	-	13 906 250
Short- term borrowings	8 911 475	25 618 457	8 911 475	5 710 941
	8 911 475	**87 999 887**	**8 911 475**	**19 617 191**

During the course of the year the Group fully repaid the 6% debenture ahead of the maturity tenure of 7 years.

The short term borrowings relates to a working capital facility expiring 28 February 2022.

12. Deferred tax reconciliation

INFLATION ADJUSTED

"Deferred tax liabilities (assets)"	1 January 2020	Recognition in profit or loss account	Recognition in other comprehensive income	31 December 2020
Non current asset-PPE	(251 906 468)	221 094	-	(251 685 374)
Current assets	14 204 500	75 696 879	-	89 901 379
current liabilities-Unused tax losses	(261 823 706)	(22 856 593)	-	(284 680 299)
	(449 525 674)	**53 061 380**	**-**	**(446 464 294)**

HISTORICAL COST

"Deferred tax liabilities (assets)"	1 January 2020	Recognition in profit or loss account	Recognition in other comprehensive income	31 December 2020
Non current asset-PPE	(62 976 617)	221 094	(344 232 253)	(406 987 776)
Current assets	3 551 125	-	-	3 551 125
current liabilities-Unused tax losses	(51 930 226)	8 902 583	-	(43 027 643)
	(111 355 718)	**9 123 677**	**(344 232 253)**	**(446 464 294)**

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

13. Trade and other payables

	INFLATION ADJUSTED 31.12.20 ZW$	INFLATION ADJUSTED 31.12.19 ZW$	HISTORICAL COST 31.12.20 ZW$	HISTORICAL COST 31.12.19 ZW$
Trade payables	241 510 100	131 446 043	9 256 764	9 256 764
Accruals and other payables	189 384 424	279 630 339	421 637 760	82 381 580
	430 894 524	**411 076 382**	**430 894 524**	**91 638 344**

14. Operating profit before working capital changes

Profit before tax	**343 030 989**	**913 968 821**	**166 224 588**	**58 827 508**
Depreciation & amortization charges	97 696 229	78 305 671	48 976 906	5 320 013
Other income	(303 435 406)	(156 159 902)	(253 026 124)	(10 609 355)
Monetary loss	92 461 945	-	-	-
Unrealised exchange gains	94 034 398	51 693 539	28 658 372	(2 095 614)
Finance costs	25 972 046	44 833 331	12 442 115	3 125 414
Finance income	-	(1 169 872)	-	(79 480)
	349 760 201	**931 471 588**	**3 275 857**	**54 488 486**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020(continued)

	INFLATION ADJUSTED		HISTORICAL COST	
	31.12.20 ZW$	31.12.19 ZW$	31.12.20 ZW$	31.12.19 ZW$
15. Revenue				
Rooms	535 760 524	1 579 798 238	358 364 232	107 329 994
Food, beverages and conferencing	556 067 653	1 574 925 606	371 947 444	106 998 952
Other operating activities	14 526 910	73 982 385	9 716 888	5 026 293
	1 106 355 087	**3 228 706 229**	**740 028 564**	**219 355 239**
16. Other operating income				
Rental	118 680 271	4 537 523	58 041 384	308 275
Sundry	347 331 046	222 650 665	232 096 099	15 126 675
	466 011 317	**227 188 188**	**290 137 483**	**15 434 950**
17. Operating expenses				
Administrative	(160 115 574)	(154 368 285)	(92 052 808)	(72 485 366)
Distribution	(27 339 245)	(51 668 721)	(15 717 736)	(19 010 731)
Other operating	(482 722 918)	(1 415 016 234)	(478 826 371)	(23 930 121)
	(670 177 737)	**(1621 053 240)**	**(586 596 915)**	**(115 426 218)**
18. 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
18.1 Basic earnings per share				
Profit attributable to share-holders (ZW$cents)	352 154 664	913 968 821	175 348 265	52 090 029
Weighted average number of shares in issue (000s)	2 459 537	2 459 537	2 459 537	2 459 537
Basic earnings per share (ZW$ cents)	14.32	37.16	7.13	2.12

	INFLATION ADJUSTED		HISTORICAL COST	
	31.12.20 ZW$	31.12.19 ZW$	31.12.20 ZW$	31.12.19 ZW$
18.2 Headline earnings per share				
Profit attributable to shareholders	352 154 664	913 968 821	175 348 265	52 090 029
Profit on disposal of assets	(15 701 469)	-	(7 678 909)	-
	336 453 196	**913 968 821**	**167 669 356**	**213 993**
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)	13.68	37.16	6.82	2.12

19. 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.

20. Events after the reporting date

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

21. The impact of COVID-19

The Group's operations continue to be affected by the impact of the COVID pandemic. The uncertainty around the pandemic is likely to ease following the international roll-out of vaccines. The roll-out of vaccines is expected to gradually increase confidence around international travel and tourism as well as contribute towards the easing of travel restrictions. The national lockdown measures implemented in Zimbabwe from May 2020 allowed limited business activity which included hotel operations. However, the resort hotels were not operational since April 2020 due to the effects of COVID-19 on tourism in international traditional source markets. All the city hotels were operational albert under restrictions. City hotels contributed meaningfully to Group revenues and this trend is set to continue into the foreseeable future. The Board remains confident that the business will remain strong supported by city hotels. Resort hotels will start to recover in the second half of 2021 in response to the vaccine roll-out. The Gateway Stream has shown its capacity to mitigate the effects of revenue loss through unlocking business that was initially not identified at its inception. As a digital platform, the advent of the COVID 19 pandemic and subsequent measures such as lockdowns created demand for E-commerce. The platform's value contribution will be driven by continuous innovation on its multiple revenue channels which will sustain the busines into the future.

The consolidated financial statements were approved by the Board for issue by 25 March 2021.

Grant Thornton

Independent Auditor's Report

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To the members of Rainbow Tourism Group Limited and its subsidiaries

Report on the Audit of the Consolidated Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of Rainbow Tourism Group Limited and its subsidiaries ("the Group") set out on pages 5 to 36, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant group accounting policies.

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion* section of our report, the consolidated financial statements do not present fairly, in all material respects, the financial position of Rainbow Tourism Group Limited and its subsidiaries as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of Adverse Opinion

Non-compliance with IAS 21 - The Effects of Changes in Foreign Exchange Rates

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. During the prior financial year up to 22 February 2019, the Group transacted using a combination of Nostro FCA (USD) and RTGS FCA (electronic payments), including mobile money, bond notes and coins. In terms of IAS 21, these would be considered separate currencies requiring translation to the functional and presentation currency at appropriate exchange rates.

In order to comply with SI 33/2019, the RTGS transactions for period 1 January 2019 to 22 February 2019 were accounted for on the basis of a rate of 1:1 between USD and RTGS. The Group changed the functional currency on 22 February 2019 in compliance with legislation. This was not consistent with IAS 21, in which compliance would have resulted in the reassessment of the functional currency at a date earlier than 22 February 2019.

In addition, during the period 22 February 2019 to 31 December 2020, the foreign currency denominated transactions and balances were translated into ZWL using the official interbank exchange rate which is not considered an appropriate spot rate for translations as required by IAS 21. The opinion on the prior year consolidated financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended 31 December 2020.

Had the financial statements 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 statements of the non-compliance with IAS 21 are considered material and pervasive to the financial statements, taken as a whole.

Non-compliance with International Accounting Standard (IAS) 29 - Financial Reporting in Hyperinflationary Economies

The Directors have applied the IAS 29 – Financial Reporting in Hyperinflationary Economies with effect from 1 January 2019 to 31 December 2020. However, its application was based on prior and current year's financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the financial statements would have been materially different. The impact of the departure from the requirements of these standards is considered material and pervasive to the consolidated financial statements.

Material uncertainty related to going concern

We draw attention to **Note 28** of these financial statements which describes the uncertainties relating to the possible effects of the COVID-19 pandemic on the Group's operations. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Areas of focus	How our audit addressed the key audit matter
Revenue recognition IFRS 15 was applied on revenue recognition. • There is a presumed fraud risk with regards revenue recognition as guided by International Standard on Auditing (ISA 240: Revised). There is a risk that the revenue is presented at amounts higher than what has been actually generated by the Group. This is a significant risk and accordingly a key audit matter.	Our audit procedures incorporated a combination of tests of the Group's controls relating to revenue recognition and the appropriateness of revenue recognition policies as well as substantive procedures in respect of testing the occurrence assertion. Our substantive procedures included but were not limited to the following: • Reviewed that revenue recognition criteria is appropriate and in line with the requirements of IFRS 15. • Performed cut-off tests on year end balances to ensure revenue is recognised in the correct period. • Tested design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of revenue transactions • Identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review. • The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation). • Analytical procedures and assessed the reasonableness of explanations provided by management. We satisfied ourselves that the revenue recognition is appropriate.

Areas of focus	How our audit addressed the key audit matter
Valuation of property and equipment Rainbow Tourism Group has property and equipment with a carrying value of **ZWL 1 920 253 910.** The valuation of property and equipment involves judgement and assumptions and is therefore one of the key judgemental areas on which our audit was concentrated.	• Our procedures in relation to the valuation exercise included evaluating the competence, capabilities and objectivity of the team involved in doing the valuation exercise. • Reviewed, on a sample basis, the accuracy and relevance of the input data provided used by management including the reasonableness of assumptions made. • Reviewed the financial statements to ascertain whether the necessary adjustments and related disclosures had been captured correctly. • Based on available evidence we found management's assumptions in relation to the valuation of property and equipment and the related disclosures in **note 5** to be appropriate and reasonable.

Other information

The Directors are responsible for the other information. The other information comprises the Chairman's Statement, the Chief Executive Review of Operations, Group Financial Review, Sustainability Report, Directors' Responsibility for Financial Reporting, Certificate of Compliance by Group Company Secretary and Declaration by the Group Chief Finance Officer, which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the consolidated financial statements

Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) and the relevant statutory instruments (SI33/99 and SI62/96) and for such internal control as is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Directors are responsible for assessing the Group'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 Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Directors are also responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement 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 internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of 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 a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the 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 business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the effects of the matters described in the basis of adverse opinion, the financial statements have been properly prepared, in all material respects, in accordance with the accounting policies and comply with the disclosure requirements of the Companies and Other Business Entities Act (Chapter 24:31).

The engagement partner on the audit resulting in this independent auditor's report is Edmore Chimhowa.

Grant Thornton

Edmore Chimhowa
Partner

Registered Public Auditor (PAAB No: 0470)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

30 March 2021

HARARE