



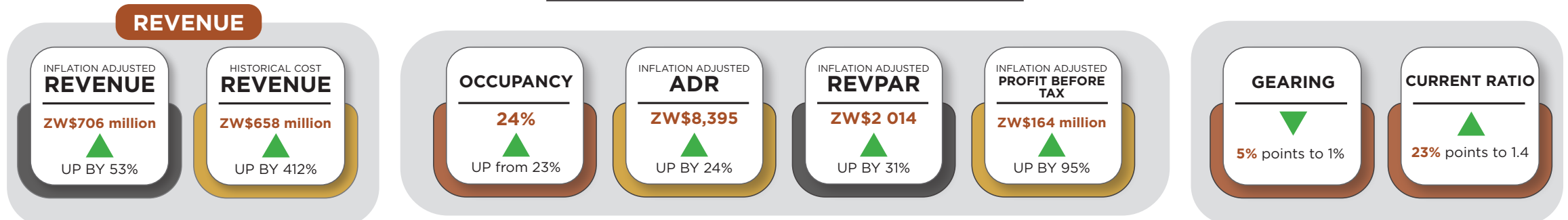
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RAINBOW TOURISM GROUP LIMITED

ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

PERFORMANCE HIGHLIGHTS



CHAIRMAN'S STATEMENT

1. INTRODUCTION

I am pleased to present to you the abridged consolidated financial statements for the half year ended 30 June 2021. The unprecedented impact of the COVID-19 pandemic has negatively affected international tourist arrivals which, according to the latest UNWTO World Tourism Barometer, has reduced by 85% in January-May 2021 compared to same period of pre-pandemic year 2019, or 65% over 2020, as travel restrictions remained high due to the Coronavirus pandemic. This followed an unprecedented drop of 73% in 2020, the worst year on record for international tourism. Despite the grim picture presented by the pandemic, the Group demonstrated immense resilience as shown by a strong performance during the first half.

A number of prudent cost reduction measures implemented during the period under review ensured a profitable position, notwithstanding the COVID-19 induced national lockdowns. The Gateway Stream web and mobile application, through its fully activated channels continues to create a critical revenue cushion to mitigate against the reduced revenue performance of the hotel business.

2. OPERATING ENVIRONMENT

The operating environment has remained uncertain throughout the first half of the year, largely due to successive COVID-19 virus outbreaks. The stability of the official exchange rate and the availability of foreign currency has reduced the impact of inflation compared to prior year. The expected opening up of the economy will drive tourism business significantly, starting with the domestic market.

3. PERFORMANCE REVIEW

Occupancy for the period under review closed at 24% which is 4% above prior year. The Group was largely reliant on domestic tourism due to restrictions on international travel. Conference business was affected by the national lockdown measures with little to no activities for the period between January and mid-March 2021. Business volumes improved significantly from mid-March to June 2021 buoyed by accommodation, outside catering as well as Gateway Stream revenue channels such as online shopping, hardware and the music application.

The Group posted revenues of ZW\$706 million, 53% above ZW\$462 million posted same period in 2020. Despite business interruption due to the lockdowns, the Group's gross margins for the period under review closed at 67% up from 63% posted in 2020. The improvement in gross profit margins is attributable to cost reduction measures that were put in place to lessen the effects of low business volumes. The Group was in a cost reduction mode during normal business and achieved successive cost reductions year on year since 2013.

The Group posted an Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of ZW\$161 million (23% margin) during the period under review which was 6% below the ZW\$177 million (38% margin) posted in 2020. The Group disposed of its financial asset which was a stock market investment. At the point of disposal in March 2021, the investment had grown by ZW\$132 million. During the same period in 2020, the investment growth recorded was ZW\$300 million. The Group posted a profit before tax of ZW\$164 million, 95% above ZW\$84 million posted in 2020.

The Group's statement of financial position remains strong with a positive working capital position of ZW\$172 million. The improvement is attributable to prudent cash flow management. The Group's current ratio improved to close half year 2021 at 1.41 from 1.15 posted in 2020.

The table below highlights key financial indices as at 30 June 2021.

Financial indices	JUNE 2021	JUNE 2020
Gearing Ratio	1%	6%
Current Ratio	1.41	1.15
Acid Test	1.21	1.10
EBITDA Margin	23%	38%

4. TOUR OPERATIONS BUSINESS

Heritage Expeditions Africa (HEXA) continues to grow into a significant player within the tour operations and adventure space in the country's major resorts and business centres.

HEXA has established itself as a reliable tour operator and the brand is becoming more visible to the market as it champions the recovery of domestic tourism by offering various packages and activities all across Zimbabwe. Inclusive domestic packages are already in the market and as lockdown restrictions ease, we anticipate speedy take-up of these packages by the wider market.

5. GATEWAY STREAM

The Gateway Stream web and mobile platform continues to expand its product offering as well as engaging in strategic partnerships in Zimbabwe and Africa at large. The performance posted in the first half of 2021 is an indicator that Gateway Stream has a place and future in the market. A notable highlight during the period was the launch of an album by one of the top artists in Zimbabwe exclusively on Gateway Stream Music resulting in more than 20 000 additional subscriptions. I am pleased to report that the platform is now accessible free

of data charge on some internet service providers and mobile network operators in Zimbabwe.

6. SUSTAINABILITY

The Company's sustainability reporting drive is not just centred on the reporting framework, but on infusing sustainable practices as a core strategic imperative. To this end, the Company has employed various measures in aligning operations with global sustainability principles.

7. DIRECTORATE

During the period, Mr. Andrew Ndaamunhu Bvumbe was co-opted as a director of the Company. We welcome him onto the board.

On an unfortunate note, Mr. Munhamu Ivan Murambiwa passed away on 7 August 2021. We express our heartfelt condolences to his family and cherish the time we were with him on the board.

8. DIVIDEND

In view of the uncertainty created by the COVID-19 pandemic-induced national lockdowns and possible impact on revenues and cashflows, the board of directors resolved to not declare a dividend for the half year ended 30 June 2021.

9. OUTLOOK

The Group is transforming its business to be technology driven in all aspects. This will be anchored by the Gateway stream web and mobile platform. The Group will continue to explore the various opportunities presented through its digitisation initiatives. Through the Gateway Stream, the Group will provide a unified global diversified commercial ecosystem, one that creates ownership of markets with multiple residual cashflow streams. These opportunities are all supported by the multi-App architecture of the Gateway Stream. This architecture allows for multiple revenue streams, ensuring value to the various stakeholders.

The Group remains optimistic of a rebound in tourism. The on-going vaccination drive has led to a gradual re-opening of world travel as well as domestic tourism. The resumption of international flights into destination Zimbabwe and the expected opening up of the economy in the remaining months of the year will see a significant growth in business volumes. This will coincide with the onset of our traditional high-season period. Most government conferences, NGO activities and domestic leisure travel is expected to take place in the last half of the year. Usually, the second half of the year contributes 60% of the business. The Group is optimistic of a significant rebound in the second half of the year and anticipate a revenue contribution of 80% in revenues.

The Group's focus is on optimising revenue and cost opportunities whilst safeguarding the welfare of our staff. Our response to the crisis has evolved in line with the situation, and we remain fully committed to supporting all our stakeholders throughout these times of uncertainty.

10. ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank all RTG customers and business partners for their invaluable support. I also extend my gratitude to my fellow members of the Board of Directors and members of staff for their dedication, professionalism, and determination to succeed against all odds.

Together, we will continue to innovate and seize the opportunities available to us in order to create sustainable value for our shareholders and all our stakeholders.


A.J. MANASE
CHAIRMAN

25 September 2021

INDEPENDENT EXTERNAL AUDITOR'S STATEMENT

These consolidated financial statements for the six months ended 30 June 2021 have been reviewed by Messrs Grant Thornton Chartered Accountants (Zimbabwe) and a modified review conclusion issued therein. This review conclusion is qualified with respect to non-compliance with International Accounting Standard (IAS 21) The Effects of Changes in Foreign Exchange Rates. 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 consolidated financial statements is available for inspection at the company's registered offices. The engagement partner for this review is Edmore Chimhova PAAB Number 0470.


Edmore Chimhova
Partner

22 September 2021

Registered Public Auditor (PAAB No: 0470)
Grant Thornton Chartered Accountants (Zimbabwe)
Registered Public Auditors

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

Notes	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.21 ZW\$	31.12.20 ZW\$	30.06.21 ZW\$	31.12.20 ZW\$
ASSETS				
Non current assets				
7	4 152 844 111	4 250 353 734	3 657 989 321	3 744 082 868
8	22 294 025	17 557 728	10 617 560	9 782 403
	86 346	89 067	73 800	73 800
10	713 268 218	187 081 674	664 804 509	155 014 596
	4 888 492 700	4 455 082 203	4 333 485 190	3 908 953 667
Current assets				
11	82 367 144	33 455 242	42 376 953	27 720 785
12	441 553 963	267 378 513	441 553 963	221 548 007
13	80 091	289 413 641	80 091	239 806 164
14	69 231 551	84 904 061	69 231 551	70 350 924
	593 232 749	675 151 457	553 242 558	559 425 880
	5 481 725 449	5 130 233 660	4 886 727 748	4 468 379 547
EQUITY AND LIABILITIES				
Capital and reserves				
	12 561 297	12 561 297	249 550	249 550
	465 481 323	465 481 323	10 227 505	10 227 505
	-	-	3 171 641 965	3 171 641 965
	3 544 578 996	3 380 363 969	245 489 848	232 433 314
	4 022 621 616	3 858 406 589	3 427 608 868	3 414 552 334
Non Current liabilities				
10	591 638 033	148 345 647	591 638 033	122 918 189
9	446 242 836	538 822 084	446 257 883	446 464 294
	1 037 880 869	687 167 731	1 037 895 916	569 382 483
Current liabilities				
15	5 438 410	10 754 946	5 438 410	8 911 475
16	346 150 453	520 031 477	346 150 453	430 894 524
14	36 039 937	39 979 998	36 039 937	33 127 153
	-	4 672 622	-	3 871 703
10	33 594 164	9 220 297	33 594 164	7 639 875
	421 222 964	584 659 340	421 222 964	484 444 730
	1 459 103 833	1 271 827 071	1 459 118 880	1 053 827 213
	5 481 725 449	5 130 233 660	4 886 727 748	4 468 379 547

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021

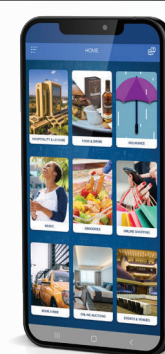
Notes	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.21 ZW\$	30.06.20 ZW\$	30.06.21 ZW\$	30.06.20 ZW\$
18	705 819 934	462 219 858	657 862 306	128 598 370
	(232 367 700)	(170 191 980)	(216 579 249)	(47 350 651)
	473 452 234	292 027 878	441 283 057	81 247 719
19	220 652 810	331 131 358	205 660 338	92 127 052
20	(532 732 016)	(445 691 029)	(496 535 016)	(123 999 735)
	161 373 028	177 468 207	150 408 379	49 375 036
	(129 489 888)	(98 378 565)	(120 691 570)	(27 370 791)
	31 883 140	79 089 642	29 716 809	22 004 245
	(18 096 256)	(20 752 353)	(16 866 688)	(5 773 700)
	150 206 685	25 939 014	-	-
	163 993 569	84 276 303	12 850 121	16 230 545
	221 458	26 455 036	206 411	7 360 295
	164 215 027	110 731 339	13 056 532	23 590 840
	-	-	-	-
	164 215 027	110 731 339	13 056 532	23 590 840
21				
	6.68	4.50	0.53	0.96
	6.68	4.50	0.53	0.96

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ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2021

Notes	INFLATION ADJUSTED		HISTORICAL COST		
	30.06.21 ZW\$	31.12.20 ZW\$	30.06.21 ZW\$	31.12.20 ZW\$	
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit before working capital changes	17	161 373 028	3 953 517	150 408 379	3 275 857
Increase in inventories		(48 911 902)	(18 235 369)	(14 656 168)	(15 109 702)
Increase in trade and other receivables		(174 175 450)	(190 965 164)	(220 005 956)	(158 232 429)
(Decrease)/increase in trade and other payables		(173 881 023)	409 436 375	(84 744 071)	339 256 180
Cash (utilised in) /generated from operations		(235 595 347)	204 189 359	(168 997 816)	169 189 906
Finance income		39 201	-	22 537	-
Investment Income		-	910 231	-	754 211
Income tax paid		(15 041 492)	(626 216)	(14 019 483)	(518 878)
Finance costs		(484 317)	(10 072 774)	(451 410)	(8 346 232)
Net cash (utilised in)/generated from operations		(251 081 955)	194 400 600	(183 446 172)	161 079 007
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	7	(16 931 820)	(293 878 368)	(9 959 894)	(119 088 053)
Development of intangible assets	8	(6 356 137)	(12 600 715)	(878 046)	(5 106 178)
Proceeds from the sale of other financial assets		257 201 909	9 267 406	239 725 079	7 678 909
Lease principal repayment		(51 806 601)	(16 343 828)	(46 000 059)	(13 541 389)
Net cash generated / (utilised in) investing activities		182 107 351	(313 555 505)	182 887 080	(130 056 711)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(3 473 065)	(20 025 000)	(3 473 065)	(16 687 500)
Net cash outflows from financing activities		(3 473 065)	(20 025 000)	(3 473 065)	(16 687 500)
Net effects of inflation		60 715 220	180 146 727	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(11 732 449)	40 966 822	(4 032 157)	14 334 796
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		44 924 063	3 957 241	37 223 771	22 888 975
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	14	33 191 614	44 924 063	33 191 614	37 223 771

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. General information

Rainbow Tourism Group Limited is a company incorporated and domiciled in Zimbabwe. The Group is in e-commerce and tourism services. Its registration number is 4880/91. The Group is listed on the Zimbabwe Stock Exchange(ZSE).

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

The abridged interim consolidated financial statements are for the six months ended 30 June 2021 and are presented in Zimbabwean Dollars (ZW\$), which is the functional currency of the parent company. They have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2020.

The abridged interim consolidated financial statements were approved for issue by the Board of Directors on 24 September 2021

These abridged interim consolidated financial statements were reviewed by Grant Thornton Zimbabwe Chartered Accountants.

2. Statement of compliance

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

3. New Accounting standards

There are no accounting pronouncements which have become effective from 1 January 2021 that have a significant impact on the abridged interim consolidated financial statements.

4. Significant consolidated accounting policies

The abridged interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2020.

5. Estimates and judgements

When preparing the abridged interim consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the abridged interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2020. The only exceptions are the estimate of income tax liabilities which is determined in the abridged interim Financial Statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

6. Significant events and transactions

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

- the Group has several long-term contracts with a number of its existing customers.
- the Group does not expect to need additional borrowing facilities in the next 12 months.
- the Group's major customers have not experienced financial difficulties. Credit quality of trade receivables as at 30 June 2021 is considered to be good.

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

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

7. Property and equipment

	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.21 ZW\$	31.12.20 ZW\$	30.06.21 ZW\$	31.12.20 ZW\$
Opening carrying amount	4 250 353 734	4 053 955 913	3 744 082 868	748 815 929
Additions to property and equipment	16 931 820	293 878 368	9 959 894	119 088 053
Revaluation	-	-	-	2 915 680 836
Depreciation charge	(114 441 443)	(94 169 104)	(96 053 441)	(38 160 057)
Carrying amounts of disposed assets	-	(3 311 443)	-	(1 341 893)
Closing carrying amount	4 152 844 111	4 250 353 734	3 657 989 321	3 744 082 868

The Group's assets were revalued by Directors as at 31 December 2020 using the market values to determine fair values. The market 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's length transaction.

	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.21 ZW\$	31.12.20 ZW\$	30.06.21 ZW\$	31.12.20 ZW\$
8. Intangible asset				
Opening carrying amount	17 557 728	5 594 297	9 782 403	1 033 336
Additions	6 356 137	12 600 715	878 046	5 106 178
Revaluations	-	-	-	3 901 135
Amortization charge	(1 619 840)	(637 284)	(42 889)	(258 246)
Closing carrying amount	22 294 025	17 557 728	10 617 560	9 782 403

The intangible assets were revalued by the Directors as at 31 December 2020.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2021

	INFLATION ADJUSTED			
	Share capital ZW\$	Share premium ZW\$	Retained Earnings ZW\$	Total equity ZW\$
Balance at 1 January 2020	12 561 297	465 481 323	3 168 742 302	3 646 784 922
Total comprehensive income for the year	-	-	211 621 667	211 621 667
Balance at 31 December 2020	12 561 297	465 481 323	3 380 363 969	3 858 406 589
Balance at 1 January 2021	12 561 297	465 481 323	3 380 363 969	3 858 406 589
Total comprehensive income for the period	-	-	164 215 027	164 215 027
Balance at 30 June 2021	12 561 297	465 481 323	3 544 578 996	4 022 621 616

	HISTORICAL COST				
	Share capital ZW\$	Share premium ZW\$	Revaluation reserve ZW\$	Retained Earnings ZW\$	Total equity ZW\$
Balance at 1 January 2020	249 550	10 227 505	572 723 225	57 085 050	640 285 330
Total comprehensive income for the year	-	-	2 598 918 740	175 348 264	2 774 267 004
Balance at 31 December 2020	249 550	10 227 505	3 171 641 965	232 433 314	3 414 552 334
Total comprehensive income for the period	-	-	-	13 056 532	13 056 532
Balance at 30 June 2021	249 550	10 227 505	3 171 641 965	245 489 848	3 427 608 868

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the members of Rainbow Tourism Group Limited and its subsidiaries

We have reviewed the accompanying consolidated statement of financial position of Rainbow Tourism Group Limited and its subsidiaries ("the Group") as at 31 March 2021 and the related consolidated statement of profit or loss and other comprehensive income, 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 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 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 Qualified Conclusion**Non-compliance with International Accounting Standard 21 -The Effects of Changes in Foreign Exchange Rates**

During the period, there were residual effects arising from the requirement to comply with SI 33/2019. In order to comply with SI 33/2019, the transactions and balances for the period 1 October 2018 to 22 February 2019 were accounted for on the basis of a rate of 1:1 between USD and RTGS. This was not consistent with the requirements of IAS 21. The residual effects of this non-compliance have resulted in the misstatement of retained earnings in the consolidated interim financial information for the six months ended 30 June 2021.

In addition, the foreign currency denominated transactions and balances for the months from January 2020 to June 2020 of the comparative period were translated into ZWL using the interbank exchange rate(s) which did not meet IAS 21 requirements for a spot rate as the rate(s) were not available for immediate delivery.

Conclusion

Based on our review, except for the issues highlighted in Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects the financial position of the Group as at 30 June 2021, 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.



Edmore Chimhowa

Partner

Registered Public Auditor (PAAB No: 0470)

Grant Thornton

Chartered Accountants (Zimbabwe)

Registered Public Auditors

22 September 2021

HARARE