

REVIEWED INTERIM CONDENSED GROUP RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Directors report the following reviewed results in respect of the Group and Company's operations for the six months ended 30 June 2020



Chairman's Statement

Introduction

In the first half of the year, all business metrics were affected by the COVID-19 pandemic. The Group managed to pull through this difficult and unprecedented trading period. Revenues showed resilience coming in 12% ahead of last year in inflation-adjusted terms from ZWL\$428m to ZWL\$479m. Profit after tax was 5% ahead from ZWL\$134m to ZWL\$140m.

Operational performance

Barzem

Barzem's revenues went up 145% to ZWL\$221m from ZWL\$90m. The unit sold 13 CAT whole goods in the first half compared to 2 in the same period of the prior year. After sales business parts and service hours were also ahead of the previous year by 3% and 19% respectively despite losing hours to the COVID-19 induced lockdowns.

CT Bolts

CT Bolts also continued its recovery with a 73% growth in revenue to ZWL\$22m. The unit achieved 21% volume growth compared to same period last year. The operating profit for the unit was also up 25% to ZWL\$10.6m.

The unit will continue to focus on product spread while realigning its distribution channels.

Powermec

Powermec revenues were flat at ZWL\$52.2m with generator sales at the same level as last year. The after sales business showed improvement with parts sales 10% ahead of prior year in real terms and service hours sold 111% ahead of the prior period. The efficiency of our service delivery is a prime focus for the business together with the roll-out of our sustainable energy and hybrid energy solutions.

Farmec

Farmec achieved a resilient performance with the operating profit for H1 growing to ZWL\$72m from ZWL\$62m prior year. This growth was supported by the implements sales volumes which were 35% ahead of prior year. Tractor volumes were 28% behind prior year at 33 units sold. After sales parts and hours sold dipped 13% and 29% respectively.

We are encouraged by the reception of the MF Global Series range of tractors by the Zimbabwean farmers and the subsequent arrival of lower range horse power tractors just after H1.

Mealie Brand

Mealie Brand performance for the first half was sharply down compared to the same period last year. This was mainly due to the lingering effects of last years' drought and limited access to regional markets. Local and export implements volumes were 62% and 84% down respectively. The first two trading months after half-year end are showing a recovery in business revenues.

Prospects

Our outlook is cautiously positive supported by good leads in the construction and mining industry. In addition we are encouraged by the Government's focus on the performance of the agriculture and mining sectors.

In light of this the Group will continue to lookout for opportunities to expand its business reach.

Directorate

On behalf of the board I would like to take this opportunity to welcome Grant Pio to the board.

I would also like to express my gratitude to all the staff members in the Zimplow Group for a resilient showing over what has been a very difficult trading period.

Dividend

Due to the loss in trading days and the importance of conserving cash the Board has not declared a dividend.



T. CHATAIKA
CHAIRMAN

Auditors' Statement

The Group's inflation adjusted interim financial statements from which these abridged results have been extracted have been reviewed by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued an adverse review conclusion as a result of the impact of the following prior year matters: Non-compliance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) and inappropriate application of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors); the consequential impact on the inflation-adjusted amounts determined in terms of IAS 29 (Financial Reporting in Hyperinflationary Economies) and valuation of investment property, manufacturing plant and equipment included in property, plant and equipment due to lack of market evidence to support valuation inputs. The auditor's review conclusion on the Group's inflation adjusted interim financial statements is available for inspection at the Company's registered office.

The engagement partner on the audit resulting in this independent auditor's report is Walter Mupanguri (PAAB Number 367).



Interim Condensed Group Consolidated and Company Statement of Financial Position As at 30 June 2020

Description	Group				Company			
	Inflation Adjusted	Historical	Inflation Adjusted	Historical	Inflation Adjusted	Historical	Inflation Adjusted	Historical
	30-June-20 Reviewed ZWL\$	31-Dec-19 Unaudited ZWL\$	30-June-20 Unaudited ZWL\$	31-Dec-19 Unaudited ZWL\$	30-June-20 Reviewed ZWL\$	31-Dec-19 Unaudited ZWL\$	30-June-20 Unaudited ZWL\$	31-Dec-19 Unaudited ZWL\$
Assets								
Non-current Assets								
Property, plant and equipment	852 371 489	605 247 703	667 157 587	221 331 311	349 300 428	201 139 484	227 867 133	72 131 132
Intangible assets	1 428 804	1 476 435	97 284	100 525	1 428 804	1 476 435	97 282	100 525
Investment property	11 833 501	10 073 577	11 833 501	3 845 000	-	-	-	-
Investment in subsidiaries	-	-	-	-	168 347 440	168 347 440	11 462 158	11 462 158
Right-of-use assets	-	-	-	-	1 126 851	2 952 255	100 504	201 008
Long term receivables	36 681 871	27 741 291	36 681 871	10 588 619	20 347 421	16 573 900	20 347 421	6 326 119
Goodwill	13 584 269	13 584 269	924 803	924 903	-	-	-	-
Total non-current assets	915 899 934	658 123 275	716 695 146	236 790 358	540 550 944	390 489 514	259 874 498	90 220 942
Current Assets								
Inventories	369 609 608	410 297 175	135 910 288	67 104 670	266 122 203	329 240 321	102 999 457	51 214 900
Trade and other receivables	108 354 253	59 824 735	108 354 253	22 834 601	22 610 115	20 609 697	22 610 115	7 866 549
Prepayments	131 399 522	158 365 914	109 863 768	56 202 979	115 618 032	117 019 738	77 790 453	40 447 612
Investment in financial assets	133 239	325 902	133 239	124 394	133 239	325 902	133 239	124 394
Cash and bank balances	57 996 474	56 780 638	57 996 474	21 672 695	37 518 067	52 333 781	37 518 067	19 975 367
Total current assets	667 493 096	685 594 364	412 258 022	167 939 339	442 001 656	519 529 439	241 051 331	119 628 822
Total Assets	1 583 393 030	1 343 717 639	1 128 953 168	404 729 697	982 552 600	910 018 953	500 925 829	209 849 764
Equity and Liabilities								
Equity								
Issued share capital	1 400 458	1 400 458	95 352	95 352	1 400 458	1 400 458	95 352	95 352
Share premium	289 943 390	289 943 390	19 741 179	19 741 179	289 943 390	289 943 390	19 741 179	19 741 179
Revaluation reserve	334 477 216	242 721 990	425 337 739	143 049 093	108 795 035	79 818 080	170 080 442	52 863 095
Capital reserve	(2 855 949)	(2 855 949)	(194 451)	(194 451)	(2 855 949)	(2 855 949)	(194 451)	(194 451)
Change in ownership reserve	(13 280 377)	(13 280 377)	(904 212)	(904 212)	-	-	-	-
Foreign currency translation reserve	443 174	443 174	(84 705)	(84 705)	443 174	443 174	(84 705)	(84 705)
Accumulated profit	460 061 669	351 558 294	175 975 530	92 831 940	433 951 061	367 793 633	134 224 975	76 286 484
Attributable to holders of the parent	1 070 189 581	869 930 980	619 966 432	254 534 196	831 677 169	736 542 786	323 862 792	148 706 954
Non-controlling interests	219 282 017	157 548 588	120 659 498	37 724 189	-	-	-	-
Total Equity	1 289 471 598	1 027 479 568	740 625 930	292 258 385	831 677 169	736 542 786	323 862 792	148 706 954
Non-current liabilities								
Inter company payables	-	-	-	-	5 269 459	13 004 099	5 269 459	4 963 556
Deferred tax liabilities	54 612 355	121 672 522	154 561 905	40 547 249	17 802 612	47 741 763	54 158 903	15 301 599
Total non-current liabilities	54 612 355	121 672 522	154 561 905	40 547 249	23 072 071	60 745 862	59 428 362	20 265 155
Current liabilities								
Trade and other payables	87 269 392	62 411 351	87 269 394	25 705 823	11 806 677	4 348 661	11 806 678	2 680 535
Provisions	6 262 344	4 100 381	6 262 344	1 565 081	2 334 527	3 854 630	2 334 526	2 334 526
Short term borrowings	15 401 220	4 300 940	15 401 220	1 641 633	15 401 220	4 300 940	15 401 220	1 641 633
Customer deposits	65 182 384	70 436 297	59 638 638	22 662 126	55 301 637	44 549 571	45 132 952	12 969 705
Lease liabilities	-	-	-	-	122 105	572 179	122 105	218 396
Current tax liabilities	65 193 737	53 316 580	65 193 737	20 349 400	42 837 194	55 104 324	42 837 194	21 032 860
Total current liabilities	239 309 077	194 565 549	233 765 333	71 924 063	127 803 360	112 730 305	117 634 675	40 877 655
Total equity and liabilities	1 583 393 030	1 343 717 639	1 128 953 168	404 729 697	982 552 600	910 018 953	500 925 829	209 849 764

Interim Condensed Group Consolidated and Company Statement of Profit or Loss and Other Comprehensive Income - For the half year ended 30 June 2020

Description	Group				Company			
	Inflation Adjusted	Historical	Inflation Adjusted	Historical	Inflation Adjusted	Historical	Inflation Adjusted	Historical
	30-June-20 Reviewed ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Unaudited ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Reviewed ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Unaudited ZWL\$	30-June-19 Unaudited ZWL\$
Continuing Operations								
Sales of goods	447 086 700	408 971 969	297 191 221	33 841 752	239 937 876	331 163 694	156 841 171	27 452 419
Rendering of services	29 916 790	18 285 222	10 628 245	2 183 942	17 542 967	10 946 474	10 628 245	1 307 420
Investment property rental income	2 691 907	1 223 403	1 784 574	147 572	-	-	-	-
Revenue from contracts with customers	479 695 397	428 480 594	309 604 040	36 173 266	257 480 843	342 110 168	167 469 416	28 759 839
Cost of sales	(295 969 027)	(267 270 305)	(129 958 547)	(14 612 348)	(110 691 664)	(194 728 989)	(52 372 672)	(10 383 022)
Gross profit	183 726 370	161 210 289	179 645 493	21 560 918	146 789 179	147 381 179	115 096 744	18 376 817
Other Income	61 361 395	56 158 441	61 132 464	6 077 371	20 660 721	46 688 313	17 984 712	4 793 349
Selling and distribution	(7 197 898)	(2 723 354)	(2 493 376)	(548 543)	(7 197 898)	(2 723 354)	(2 493 376)	(506 362)
Administrative expenses	(98 469 673)	(83 179 448)	(65 399 646)	(6 302 808)	(54 648 812)	(56 238 239)	(36 443 490)	(4 009 089)
Other operating expenses	(12 913 049)	(4 979 126)	(8 630 577)	(976 964)	(8 300 795)	(3 883 044)	(4 873 319)	(666 853)
Allowance for credit losses	(160 707)	-	(160 707)	-	-	-	-	-
Monetary gain/(loss)	29 868 693	45 416 644	-	-	4 687 452	(44 201 200)	-	-
Operating profit	156 215 131	171 903 446	164 093 651	19 809 974	101 989 847	87 023 655	89 271 271	17 987 862
Finance costs	(538 456)	(1 991 225)	(373 439)	(181 789)	(627 892)	(1 975 985)	(389 793)	(156 475)
Finance income	35 503	252 402	25 331	2 245	35 503	30 544	22 818	2 245
Profit before tax	155 712 178	170 164 623	163 745 543	19 630 430	101 397 458	85 078 214	88 904 296	17 833 632
Tax	(15 612 260)	(36 149 655)	(43 359 310)	(4 317 626)	(21 596 875)	(41 050 694)	(21 965 805)	(4 902 994)
Profit for the six months from continuing operations	140 099 918	134 014 968	120 386 233	15 312 804	79 800 583	44 027 520	66 938 491	12 930 638
Other comprehensive income								
Other comprehensive income that may be recycled through profit or loss								
Exchange difference on translation of foreign operations	-	1 763 633	-	210 644	-	1 763 633	-	210 644
Other comprehensive income that will not be reclassified to profit or loss								
Gain on revaluation of plant, land and buildings, net of tax	135 535 268	-	336 981 312	-	28 976 955	-	117 217 347	-
Total other comprehensive income for the six months, net of tax	135 535 268	1 763 633	336 981 312	210 644	28 976 955	1 763 633	117 217 347	210 644
Total comprehensive income for the six months	275 635 186	135 778 601	457 367 545	15 523 448	108 777 538	45 791 153	184 155 838	13 141 282
Profit for the six months attributed to:								
Equity holders of the entity	122 146 530	124 447 767	92 143 590	14 170 121	79 800 583	44 027 520	66 938 491	12 930 638
Non-controlling interests	17 953 3							

REVIEWED INTERIM CONDENSED GROUP RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Directors report the following reviewed results in respect of the Group and Company's operations for the six months ended 30 June 2020



Interim Condensed Group Consolidated and Company Statement of Cash Flows For the half year ended 30 June 2020

Description	Group				Company			
	Inflation Adjusted		Historical		Inflation Adjusted		Historical	
	30-June-20 Reviewed ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Unaudited ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Reviewed ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Unaudited ZWL\$	30-June-19 Unaudited ZWL\$
Cash flows from operating activities								
Operating profit before tax from continuing operations*	155 712 178	170 164 623	163 745 543	19 630 430	101 397 458	85 078 214	88 904 296	17 833 632
Adjusted for:								
Depreciation of property, plant and equipment and amortisation of intangible assets	5 591 829	3 246 726	3 311 327	387 781	6 615 305	1 963 713	2 131 869	234 541
Exchange (gain)/loss on foreign exchange	(6 350 971)	(25 565 572)	11 058 755	(3 053 489)	(6 350 971)	(14 201 733)	3 368 438	(1 696 220)
Fair value adjustments	(7 988 501)	-	(7 988 501)	-	-	-	-	-
Movement in provisions	2 161 963	-	3 618 488	-	(1 520 103)	-	(1 398 678)	-
Interest received	(35 503)	(252 402)	(25 331)	(2 245)	(35 503)	(30 544)	(22 818)	(2 245)
Interest paid	538 456	1 991 225	373 439	181 789	627 892	1 975 985	389 793	156 475
Profit on disposal of property, plant & equipment	(192 880)	234 265	(192 722)	27 980	(192 880)	(234 265)	(192 722)	(27 980)
Non cash adjustment IAS 29	(165 517 598)	(3 783 462)	-	-	(169 372 505)	59 581 679	-	-
	(16 081 027)	146 035 403	173 900 998	17 172 246	(68 831 307)	134 133 049	93 180 178	16 498 203
Working capital changes								
Decrease/(increase) in inventories	40 687 567	(61 814 299)	(68 805 618)	(7 382 948)	63 118 118	(58 630 769)	(51 784 557)	(7 002 715)
(Increase)/decrease in trade and other receivables	(48 529 518)	(82 625 184)	(111 612 904)	(9 868 549)	(2 000 418)	(67 828 857)	(28 764 868)	(8 101 312)
Decrease/(increase) in prepayments	26 966 392	(30 129 881)	(53 660 789)	(3 598 639)	1 401 706	(33 208 612)	(37 342 841)	(3 966 355)
(Decrease)/increase in customer deposits	(5 253 913)	21 256 223	36 976 512	2 538 791	10 752 066	30 662 662	32 163 247	3 662 273
(Decrease)/increase in intergroup balances	-	-	-	-	(7 734 640)	7 239 198	305 903	864 632
Increase in trade and other payables	24 858 041	46 900 077	62 642 344	5 601 630	7 458 016	31 086 951	10 524 823	3 712 949
	22 647 542	39 622 339	39 440 543	4 462 531	4 163 541	43 453 622	18 281 885	5 667 675
Interest received	35 503	252 402	25 331	2 245	35 503	30 544	22 818	2 245
Interest paid	(538 456)	(1 991 225)	(373 439)	(181 789)	(627 892)	(1 975 985)	(389 793)	(156 475)
Tax paid	(11 212 983)	(13 359 945)	(2 084 205)	(1 595 679)	(9 852 170)	(10 802 525)	(723 392)	(1 290 227)
Dividend paid	(13 643 155)	(4 191 304)	(9 000 000)	(500 599)	(13 643 155)	(4 191 304)	(9 000 000)	(500 599)
Net cash flow from operating activities	(2 711 549)	20 332 267	28 008 230	2 186 709	(19 924 173)	26 514 352	8 191 518	3 722 619
Investing activities								
Proceeds from sale of property, plant and equipment	185 222	234 641	185 222	28 025	185 222	234 641	185 222	28 025
Purchase of property, plant and equipment	(10 008 579)	(4 175 997)	(5 620 415)	(257 044)	(8 731 214)	3 384 740	(4 270 095)	(151 545)
Proceeds from sale of financial assets	-	378 943	-	45 260	-	-	-	-
Purchase of financial assets	(8 845)	-	(8 845)	-	(8 845)	-	(8 845)	-
Net cash flows from investing activities	(9 832 202)	(3 562 413)	(5 444 038)	(183 759)	(8 554 837)	3 619 381	(4 093 718)	(123 520)
Financing activities								
Lease liability principal repaid	-	-	-	-	(96 291)	-	(96 291)	-
Repayments of borrowings	(1 240 413)	(4 084 704)	(1 240 413)	(487 867)	(1 240 413)	(4 084 704)	(1 240 413)	(487 867)
Proceeds from borrowings	15 000 000	4 186 288	15 000 000	500 000	15 000 000	4 186 288	15 000 000	500 000
Net cash flows from financing activities	13 759 587	101 584	13 759 587	12 133	13 663 296	101 584	13 663 296	12 133
Net increase/(decrease) in cash and cash equivalents	1 215 836	16 871 438	36 323 779	2 015 083	(14 815 714)	30 235 317	17 761 096	3 611 232
Net foreign exchange difference	-	(4 426 498)	-	(528 690)	-	(4 426 514)	-	(528 692)
Cash and cash equivalents at 1 January	56 780 638	47 066 482	36 323 779	5 621 505	52 333 781	8 906 923	19 756 971	1 063 821
Cash and cash equivalents at 30 June	57 996 474	59 511 422	57 996 474	7 107 898	37 518 067	34 715 726	37 518 067	4 146 361
Comprising of:								
Cash and bank balances	57 996 474	59 511 422	57 996 474	7 107 898	37 518 067	34 715 726	37 518 067	4 146 361

*The starting point for the cash flow statement has been changed from profit before interest and tax to profit before tax as this will provide better information to users of financial statements.

Supplementary Information

Description	Group				Company			
	Inflation Adjusted		Historical		Inflation Adjusted		Historical	
	30-June-20 Reviewed ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Unaudited ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Reviewed ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Unaudited ZWL\$	30-June-19 Unaudited ZWL\$
Shares in issue	238 380 780	238 380 780	238 380 780	238 380 780	238 380 780	238 380 780	238 380 780	238 380 780
For the purpose of basic EPS	238 380 780	238 380 780	238 380 780	238 380 780	238 380 780	238 380 780	238 380 780	238 380 780
Dilutive impact of shares	-	-	-	-	-	-	-	-
For the purpose of diluted EPS	238 380 780	238 380 780	238 380 780	238 380 780	238 380 780	238 380 780	238 380 780	238 380 780
Headline earnings	122 003 317	124 610 779	91 950 868	14 154 508	79 657 370	43 853 578	66 745 769	12 892 216
Profit for the year	122 146 530	124 447 767	92 143 590	14 170 121	79 800 583	44 027 520	66 938 491	12 930 638
Headline earnings per share	0.51	0.52	0.39	0.06	0.33	0.18	0.28	0.05
Basic earnings per share	0.51	0.52	0.39	0.06	0.33	0.18	0.28	0.05
Diluted earnings per share	0.51	0.52	0.39	0.06	0.33	0.18	0.28	0.05
Property, plant and equipment								
Additions	10 008 579	4 175 997	5 620 415	257 044	8 731 214	3 384 740	4 270 095	151 545
Disposals	(185 222)	(234 641)	(185 222)	(28 025)	(185 222)	(234 641)	(185 222)	(28 025)
Depreciation	5 591 829	3 246 726	3 311 327	387 781	6 615 305	1 963 713	2 131 869	234 541

Interim Condensed Group Consolidated Statement of Changes in Equity - For the half year ended 30 June 2020

	Share Capital ZWL\$	Capital Reserve ZWL\$	Share Premium ZWL\$	Revaluation Reserve ZWL\$	Change in Ownership Reserve ZWL\$	Foreign Currency translation Reserve ZWL\$	Share Based Payment Reserve ZWL\$	Retained Earnings ZWL\$	Attributable to Owners of the parent ZWL\$	Non-Controlling interest ZWL\$	Total ZWL\$
Inflation Adjusted											
Unaudited											
Balance on 1 January 2019	4 475 502	(295 284)	289 728 829	69 245 057	(13 280 377)	509 819	211 994	105 201 109	455 796 648	81 608 708	537 405 356
Dividend paid	-	-	-	-	-	-	-	(4 191 304)	(4 191 304)	-	(4 191 304)
Profit for the six months	-	-	-	-	-	-	-	124 447 767	124 447 767	9 567 201	134 014 968
Other comprehensive income, net of tax	-	-	-	-	-	1 763 633	-	1 763 633	1 763 633	-	1 763 633
IAS 29 restatement	-	-	-	(69 245 057)	-	-	-	69 245 057	69 245 057	-	-
Balance at 30 June 2019	4 475 502	(295 284)	289 728 829	-	(13 280 377)	2 273 452	211 994	294 702 629	577 816 744	91 175 909	668 992 654
Reviewed											
Balance on 1 January 2020	1 400 458	(2 855 949)	289 943 390	242 721 990	(13 280 377)	443 174	-	351 558 294	869 930 980	157 548 587	1 027 479 567
Dividend paid	-	-	-	-	-	-	-	(13 643 155)	(13 643 155)	-	(13 643 155)
Profit for the six months	-	-	-	-	-	-	-	122 146 530	122 146 530	17 953 388	140 099 918
Other comprehensive income, net of tax	-	-	-	91 755 226	-	-	-	91 755 226	91 755 226	43 780 042	135 535 268
Balance at 30 June 2020	1 400 458	(2 855 949)	289 943 390	334 477 216	(13 280 377)	443 174	-	460 061 669	1 070 189 581	219 282 017	1 289 471 598
Historical											
Unaudited											
Balance on 1 January 2019	95 352	(20 105)	19 726 745	4 714 683	(904 212)	34 712	14 434	7 162 820	30 824 429	5 556 486	36 380 915
Dividend paid	-	-	-	-	-	-	-	(500 599)	(500 599)	-	(500 599)
Profit for the six months	-	-	-	-	-	-	-	14 170 121	14 170 121	1 142 683	15 312 804
Other comprehensive income, net of tax	-	-	-	-	-	210 644	-	210 644	210 644	-	210 644
Balance at 30 June 2019	95 352	(20 105)	19 726 745	4 714 683	(904 212)	245 356	14 434	20 832 342	44 704 595	6 699 169	51 403 764
Unaudited											
Balance on 1 January 2020	95 352	(194 451)	19 741 179	143 049 094	(904 212)	(84 705)	-	92 831 940	254 534 197	37 724 188	292 258 385
Dividend paid	-	-	-	-	-	-	-	(9 000 000)	(9 000 000)	-	(9 000 000)
Profit for the six months	-	-	-	-	-	-	-	92 143 590	92 143 590	28 242 643	120 386 233
Other comprehensive income, net of tax	-	-	-	282 288 645	-	-	-	282 288 645	282 288 645	54 692 667	336 981 312
Balance at 30 June 2020	95 352	(194 451)	19 741 179	425 337 739	(904 212)	(84 705)	-	175 975 530	619 966 432	120 659 498	740 625 930

REVIEWED INTERIM CONDENSED GROUP RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Directors report the following reviewed results in respect of the Group and Company's operations for the six months ended 30 June 2020



Notes to the Reviewed Interim Condensed Group Results For the half year ended 30 June 2020

1. Presentation and statement of compliance

Basis of preparation

The Group's interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared under policies consistent with the requirements of the Companies and Other Business Entities Act (Chapter 24:31). The financial results have been prepared under the current cost convention in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies) and IAS 34 (Interim Financial Reporting).

The interim condensed financial results do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

The Group prepares financial statements with the aim to fully comply with International Financial Reporting Standards (IFRS) which comprise standards issued by the International Accounting Standards Board (IASB) and interpretations developed and issued by the International Financial Reporting Interpretations Committee (IFRIC). Compliance with IFRS is intended to achieve consistency and comparability of financial statements. In the previous reporting periods the Group's financial statements have complied in full with IFRSs, however, it has not been practical in the current and prior year due to the need to comply with local legislation specifically Statutory Instrument 33 of 2019. The Directors are of the view that the requirement to comply with the Statutory Instrument has created inconsistencies with International Accounting Standard (IAS) 21 (The Effects of Changes in Foreign Exchange Rates) as well as with the principles embedded in the IFRS Conceptual Framework (see also guidance issued by the Public Accountants and Auditors Board on 21 March 2019). This has resulted in the accounting treatment adopted in the 2019 Financial Statements being different from that which the Directors would have adopted if the Group had been able to fully comply with IFRS.

Application of IAS 29 (Financial Reporting in Hyperinflationary Economies)

These results have been prepared in accordance with IAS 29 as if the economy had been hyperinflationary from 1 January 2019 being the commencement date of the prior financial year however given that change in functional currency 22 February 2019 has been treated as the last re-measurement date for non-monetary items, IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date and that corresponding figures for the previous period also be restated in terms of the same measuring unit.

The Group adopted the Zimbabwe consumer price index (CPI) compiled by Zimbabwe National Statistics Agency (ZIMSTAT) as the general price index to restate transactions and balances as appropriate. The indices and conversion factors used to restate these financials are given below.

Dates	Indices	Conversion Factors
30 June 2020	1445.21	1.00
31 December 2019	551.63	2.62
30 June 2019	172.61	5.61

The procedures applied in the above restatement of transactions and balances are as follows:

Comparative information

- All comparative figures as of the half year ended 30 June 2019 were restated by applying the change in the index from 01 January 2019 to 30 June 2019.
- On 1 January 2019 any revaluation surplus that arose in previous periods was eliminated. Retained earnings was derived as a balancing figure in the restated statement of financial position

Current period information

- Monetary assets and liabilities were not restated because they are already stated in terms of the measuring unit current at balance sheet date.

5. Revenue

An analysis of Group revenue and results for the year

	Group				Company			
	Inflation Adjusted		Historical		Inflation Adjusted		Historical	
	30-June-20 Reviewed ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Unaudited ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Reviewed ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Unaudited ZWL\$	30-June-19 Unaudited ZWL\$
Sale of goods: Domestic	434 285 650	341 252 213	287 103 950	28 103 359	227 136 826	263 443 938	146 753 900	21 714 026
Sale of goods: Export	12 801 050	67 719 756	10 087 271	5 738 393	12 801 050	67 719 756	10 087 271	5 738 393
Sale of services: Domestic	29 916 790	18 285 222	10 628 245	2 183 942	17 542 967	10 946 474	10 628 245	1 307 420
Investment property rental income	2 691 907	1 223 403	1 784 574	147 572	-	-	-	-
Total	479 695 397	428 480 594	309 604 040	36 173 266	257 480 843	342 110 168	167 469 416	28 759 839

6. Segment revenue and results

Inflation Adjusted Reviewed	Mining and Infrastructure		Property	Non reportable Segments	Total Segments	Adjustments	Consolidated
	Farming	Infrastructure					
30 June 2020							
Revenue	135 667 591	295 254 318	2 691 907	-	433 613 816	46 081 581	479 695 397
Segment operating profit	72 851 384	116 354 376	86 291 932	49 843	275 547 535	(119 332 404)	156 215 131
Other items							
Finance income	8 443	3 843	-	23 217	35 503	-	35 503
Finance costs	(538 456)	-	-	-	(538 456)	-	(538 456)
Income taxes	(18 734 441)	(435 207)	4 273 204	(806 435)	(15 702 879)	90 619	(15 612 260)
GROUP PROFIT AFTER TAX	53 586 930	115 923 012	90 565 136	(733 375)	259 341 703	(119 241 785)	140 099 918
Segment assets	754 166 960	575 393 471	268 507 121	263 960 045	1 862 027 597	(278 634 567)	1 583 393 030
Segment liabilities	(184 422 555)	(198 004 274)	(60 907)	(37 531 565)	(420 019 301)	126 097 869	(293 921 432)
Other segment information							
Depreciation and amortisation	3 853 125	597 143	724 003	417 558	5 591 829	-	5 591 829
Additions to non-current assets	4 268 601	4 217 337	-	1 522 641	10 008 579	-	10 008 579
Impairment loss recognized on receivables	-	160 707	-	-	160 707	-	160 707

Inflation Adjusted Reviewed	Mining and Infrastructure		Property	Non reportable Segments	Total Segments	Adjustments	Consolidated
	Farming	Infrastructure					
30 June 2019 Unaudited							
Revenue	199 601 678	103 272 561	1 239 593	-	304 113 832	124 366 762	428 480 594
Segment operating profit	139 265 541	36 848 991	1 036 500	(4 230 646)	172 920 386	(1 016 940)	171 903 446
Other items							
Finance income	10 064	233 656	-	8 682	252 402	-	252 402
Finance costs	(1 310 099)	(681 126)	-	-	(1 991 225)	-	(1 991 225)
Income taxes	(35 550 807)	(1 528 556)	(246 338)	692 714	(36 632 987)	483 332	(36 149 655)
GROUP PROFIT AFTER TAX	102 414 699	34 872 965	790 162	(3 529 250)	134 548 576	(533 608)	134 014 968
Segment assets	295 046 977	141 227 478	87 150 889	182 172 610	705 597 954	(114 276 698)	591 321 256
Segment liabilities	(37 095 237)	(22 678 080)	(2 514 578)	(94 057 486)	(51 798 746)	(4 593 923)	(160 939 304)
Other segment information							
Depreciation	1 399 753	1 279 229	370 193	197 551	3 246 726	-	3 246 726
Additions to non-current assets	1 003 730	3 062 084	-	110 183	4 175 997	-	4 175 997

7. Income Tax

The Group calculates the period income tax using the tax rate that would be applicable to the expected total annual earnings. The major components of the income tax expense in the interim condensed consolidated statement of profit or loss are:

	Group				Company			
	Inflation Adjusted		Historical		Inflation Adjusted		Historical	
	30-June-20 Reviewed ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Unaudited ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Reviewed ZWL\$	30-June-19 Unaudited ZWL\$	30-June-20 Unaudited ZWL\$	30-June-19 Unaudited ZWL\$
Charge based on income for the year								
Zimbabwe Income tax	30 426 455	15 138 716	30 426 455	1 808 131	20 388 187	13 087 794	20 388 187	1 563 174
Taxation relating to foreign operation	-	27 604	-	3 297	-	27 605	-	3 297
Deferred Tax	(14 814 195)	20 983 335	12 932 855	2 506 198	1 208 688	27 935 295	1 577 618	3 336 523
Taxation	15 612 260	36 149 655	43 359 310	4 317 626	21 596 875	41 050 694	21 965 805	4 902 994

Interim Condensed Company Statement of Changes in Equity - For the half year ended 30 June 2020

	Share Capital ZWL\$	Capital Reserve ZWL\$	Share Premium ZWL\$	Revaluation Reserve ZWL\$	Share based Reserve ZWL\$	Foreign currency translation Reserve ZWL\$	Retained Earnings ZWL\$	Attributable to Owners of the parent ZWL\$
Inflation Adjusted								
Unaudited								
Balance at 1 January 2019	4 475 502	(943 665)	289 731 381	48 091 010	212 009	509 823	102 807 352	444 883 412
Dividend paid	-	-	-	-	-	-	(4 191 304)	(4 191 304)
Profit for the six months	-	-	-	-	-	-	44 027 520	44 027 520
Other comprehensive income net of tax	-	-	-	-	-	1 763 633	-	1 763 633
IAS 29 restatement	-	-	-	(79 818 080)	-	79 818 080	-	-
Balance at 30 June 2019	4 475 502	(943 665)	289 731 381	(31 727 070)	212 009	2 273 456	222 461 648	486 483 262
Reviewed								
Balance at 1 January 2020	1 400 458	(2 855 949)	289 943 390	79 818 080	-	443 174	367 793 633	736 542 786
Dividend paid	-	-	-	-	-	-	(13 643 155)	(13 643 155)
Profit for the six months	-	-	-	-	-	-	79 800 583	79 800 583
Other comprehensive profit net of tax	-	-	-	28 976 955	-	-	-	28 976 955
Balance at 30 June 2020	1 400 458	(2 855 949)	289 943 390	108 795 035	-	443 174	433 951 061	831 677 169
Historical								
Unaudited								
Balance on 1 January 2019	95 352	(20 105)	19 726 744	3 274 369	14 434	34 712	3 725 406	26 850 912
Dividend paid	-	-	-	-	-	-	(500 599)	(500 599)
Profit for the six months	-	-	-	-	-	-	12 930 638	12 930 638
Other comprehensive income net of tax	-	-	-	-	-	210 644	-	210 644
Balance at 30 June 2019	95 352	(20 105)	19 726 744	3 274 369	14 434	245 356	16 155 445	39 491 595
Unaudited								
Balance at 1 January 2020	95 352	(194 451)	19 741 179	52 863 095	-	(84 705)	76 286 484	148 706 954
Dividend paid	-	-	-	-	-	-	(9 000 000)	(9 000 000)
Profit for the six months	-	-	-	-	-	-	66 938 491	66 938 491
Other comprehensive income net of tax	-	-	-	117 217 347	-	-	-	117 217 347
Balance at 30 June 2020	95 352	(194 451)	19 741 179	170 080 442	-	(84 705)	134 224 975	323 862 792

- Non-monetary assets and liabilities that are not carried at amounts current at balance sheet and components of shareholders' equity were restated by applying the change in the index from the more recent of the date of the transaction and the date of their most recent revaluation to 30 June 2020.
- Items recognised in the income statement have been restated by applying the change in the general price index from the dates when the transactions were initially earned or incurred by applying the monthly index for the year ended 30 June 2020. Depreciation and amortisation amounts are based on the restated costs.
- Gains and losses arising from the net monetary position are included in the income statement;
- All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

IAS 29 discourages publication of historical financial statements as a supplement to inflation adjusted accounts. However Historical financial statements have been published to allow comparability during the transitional phase in applying the standard.

Accounting policies

The accounting policies applied in the preparation of these condensed financial statements for the period under review are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those applied in preparation of the Group's audited financial statements for the year ended 31 December 2019.

Statement of Compliance

These interim condensed consolidated financial statements have been prepared with the aim of complying with International Financial Reporting

Standards (IFRS) and are presented in Zimbabwe Dollars (ZWL\$) which is the Group's functional currency. While full compliance with IFRS has been possible in the previous periods only partial compliance has been achieved for 2019 because it has not been possible to comply with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" (IAS 21).

The IFRS Conceptual Framework requires that in applying fair presentation to financial statements entities should go beyond the consideration of the legal form of transactions and any other factors that could have an impact on them. IAS 21 requires an entity to apply certain parameters in determining the functional currency of an entity for use in the preparation of its financial statements. This standard also requires an entity to make certain judgements where applicable regarding appropriate exchange rates between currencies where exchangeability through a legal and market exchange mechanism is not achievable.

In the opinion of the directors the requirement to comply with Statutory Instrument 33 (SI 33) of 2019 created inconsistencies with IAS 21 as well as the principles embedded in the IFRS Conceptual Framework (see guidance issued by the Public Accountants and Auditors Board on 21 March 2019). This has resulted in the adoption of an accounting treatment in the current year's financial statements which is at variance from that which would have been applied if the Group had been able to fully comply with IFRS.

2. Hyper Inflation

The historical amounts were restated at the end of the reporting period to reflect the general change in purchasing power of the reporting currency (ZWL\$). Professional judgement was used and appropriate adjustments in preparing financial statements according to IAS 29. The indices used were obtained from the Zimbabwe National Statistics Agency for the period.

3. Leases

The Group applies a single recognition and measurement approach for all leases except for short term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use underlying assets according to IFRS 16.

4. Borrowings

The Group was holding borrowings with a balance of ZWL\$15m as at 30 June 2020 secured against a notarial covering bond which included the Company's inventory and buildings. The average cost of the borrowings for the period was 25%.



To the Shareholders of Zimplow Holdings Limited

Introduction

We have reviewed the accompanying inflation adjusted interim condensed consolidated financial statements of ZIMFLOW HOLDINGS LIMITED and its subsidiaries ("the Group") , as set out on pages 14 to 25, which comprise the inflation adjusted interim condensed consolidated Statement of Financial Position as at 30 June 2020 and the related inflation adjusted interim condensed consolidated Statement of Profit or Loss and other Comprehensive Income, the inflation adjusted interim condensed consolidated Statement of Changes in Equity and the inflation adjusted interim condensed consolidated Statement of Cash Flows for the six-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of this inflation adjusted condensed consolidated interim financial information in accordance with the International Financial Reporting Standards; International Accounting Standard 34-*Interim Financial Reporting* and the Zimbabwe Stock Exchange listing rules. Our responsibility is to express a review conclusion on this inflation adjusted condensed consolidated interim financial statements 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 review conclusion

Non-compliance with IFRS: International Accounting Standard (IAS) 21- The Effects of Changes in Foreign Exchange Rates in the prior period and Inappropriate application of IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors

As explained in note 3 to the inflation adjusted interim condensed consolidated Financial Statements, the Group and Company changed its functional currency from the United States Dollar (US\$) to Zimbabwe Dollars (ZWL) on 23 February 2019 in order to comply with Statutory Instrument 33 of 2019 issued on the same date. We however believe that the change in currency occurred prior to that date. The inflation adjusted Condensed consolidated interim financial statements are presented in ZWL.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro US\$ Accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US\$ amounts. In February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTGS\$) and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe Dollar or ZWL (which comprises RTGS\$, Bond notes and Bond Coins) was the sole legal tender effective 24 June 2019.

These events triggered the need for the Group and Company to assess whether there was a change in functional currency (from US\$ to RTGS\$/ZWL) and to determine an appropriate spot rate as required by IAS 21. We believe that events in the market and subsequent promulgation of the RTGS\$ and ZWL as formal currencies supports that there was a change in functional



Building a better
working world

currency from US\$ to ZWL on 1 October 2018, and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 RTGS\$/ZWL: US\$ exchange rate nor the interbank rate thereafter.

Management however applied the 22nd of February 2019 as the date of change in functional currency and continued to use exchange rates which were not compliant with IAS21, consequently resulting in non-compliance with IAS29 as well.

Management has not restated the opening balances to resolve these matters which resulted in the adverse audit report in the prior period in accordance with *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*, further, some of the matters are continuing as discussed below. In addition, there was a consequential impact of the application of IAS 29 in the prior period. Had the correct base numbers and start date been used the outcome would have been materially different. Consequently:

- All corresponding numbers are misstated on the inflation adjusted interim condensed Group and Company Statements of Financial Position, Cash Flows, Profit or Loss and Comprehensive Income and Changes in Equity and our conclusion is therefore modified in respect of comparability of those amounts with the current year amounts.
- As opening balances enter into the determination of cash flows and performance, our current year conclusion is further modified in respect of the impact of this matter on the interim condensed consolidated inflation adjusted Statement of Cash Flows, Statement of Profit or Loss and Other Comprehensive Income and Statement of Changes in Equity.

In addition to the impact on the corresponding numbers, half year performance and cash-flows the matter continues to impact the balances on the inflation adjusted condensed consolidated Statement of Financial Position as most of these still comprise of amounts from opening balances. Whilst these matters might not affect all accounts in the statement of financial position the specific accounts and the portions affected by this matter have not been identified / quantified here. This is due to the second matter requiring modification (which has been discussed below) and which confirms that virtually all amounts are incorrectly stated, and the impact cannot be quantified.

Exchange rates used

As in prior year, management continued to use the interbank exchange rate to translate foreign denominated transactions and balances to ZWL functional and reporting currency. The auction exchange rate was applied from 23 June 2020 to year end. These rates do not meet the IAS 21 definition of a spot rate. As a result, all amounts in the interim condensed consolidated Statement of Profit or Loss and Other Comprehensive Income are impacted except for Rental income and Finance Revenue. In addition, the following accounts on interim condensed consolidated Group and Company Statements of Financial Position are misstated either due to items having been translated during the period or the closing balances comprising of foreign currency components:

Group

- Those for which the portion of foreign currency could be identified: ZWL 10,961,053 included in Cash and Cash equivalents out of a total of ZWL 57,996,474, ZWL 14,983,750 included in Long Term Receivables out of a total of ZWL 36,681,871, ZWL 44,093,249 included in Prepayments out of a total of ZWL 131,399,522, ZWL 21,262,459 included in Trade and Other Payables out of a total of ZWL 87,269,392 and ZWL 268,602,962 included in Inventory out of a total of ZWL 369,609,608
- Those for which the portion of foreign currency could not be identified owing to the nature of the accounting records, namely Property, Plant and Equipment which is not under the revaluation model and, Cost of Sales of ZWL 295,969,027, retained earnings of ZWL 639,821,846, Deferred tax liabilities of ZWL 54,612,355

In addition, Income Tax Payable of ZWL 65,193,737 is consequentially impacted by the impact from the profit or loss as noted above.

Company

- Those for which the portion of foreign currency could be identified: ZWL 7,458,155 included in Cash and Cash Equivalents out of a total of ZWL 37,518,067, ZWL 8,733,750 included in Long Term Receivables out of a total of ZWL 20,347,421, ZWL 36,969,784 included in Prepayments out of a total of ZWL 115,618,032, ZWL 9,966,975 included in Trade and Other Payables out of a total of ZWL 11,806,677 and ZWL 207,108,201 included in Inventory out of a total ZWL 266,122,203



Building a better
working world

- Those for which the portion of foreign currency could not be identified owing to the nature of the accounting records, namely Property, Plant and Equipment which is not under the revaluation model and, retained earnings of ZWL 433,951,061 and Deferred Tax Liabilities of ZWL 17,802,612.

In addition, Income Tax Payable of ZWL 42,837,194 is consequentially impacted by the impact from the profit or loss as noted above.

The effect cannot be quantified owing to the degree of modifications and their combined interaction and primarily that appropriate spot rates cannot be determined.

Valuation of investment properties and manufacturing plant and equipment

The Group's investment properties and manufacturing plant and equipment are carried at ZWL 11,833,501 (31 December 2019: ZWL 10,073,577) and ZWL 141,309,759 (31 December 2019: ZWL 42,289,977) respectively as at 30 June 2020 and the Company's manufacturing plant and equipment is carried at the same values as at 30 June 2020. The manufacturing plant and equipment are included in Property, Plant and Equipment.

The investment properties and manufacturing plant were valued in US\$ using historical US\$ denominated inputs and the US\$ valuation was converted to ZWL at the interbank rate in prior year and at the auction rate as at 30 June 2020. We believe that applying a conversion rate to a USD valuation to calculate ZWL property values may not be an accurate reflection of market dynamics, as risks associated with currency trading do not always reflect the risks associated with property trading.

Owing to the nature of the matter, we are unable to quantify the possible impact. There is therefore a disagreement with management on the conversion of the USD\$ valuation into ZWL\$ valuation.

Consequential impact of the above matters on IAS 29 accounting

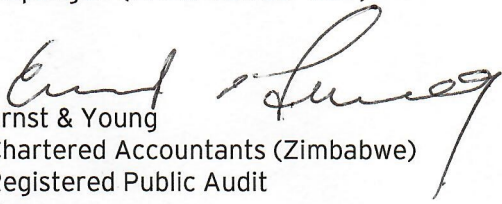
Furthermore, notwithstanding that IAS 29 - Financial Reporting in Hyperinflationary Economies has been applied from 1 Jan 2018 to 30 June 2020, it is noted that its application was based on prior and current periods' financial information which has been misstated as a result of matters described above. Had the correct base numbers, exchange rates compliant with IAS 21, where applicable, and start date been used, virtually all elements of the financial statements would have been materially different.

The effects of the above departures from IFRS are material and pervasive to the inflation adjusted interim condensed consolidated financial statements.

Adverse review conclusion

In view of the matters described in the preceding paragraphs, the inflation adjusted interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards.

The engagement partner on the audit resulting in this independent auditor's report is Walter Mupanguri (PAAB Number 367)



Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Audit
Harare

30 September 2020