Audited Abridged Financial Results

For the year ended 31 December 2018

HWANGE
COLLIERY COMPANY LIMITED
(Incorporated in Zimbabwe)

(Under Reconstruction)

ADMINISTRATOR'S STATEMENT

On behalf of the administration team, I present the audited financial results of Hwange Colliery Company Limited for the year ended 31 December 2018.

FINANCIAL PERFORMANCE

The Company's performance worsened in 2018 in comparison to the 2017 financial year. The loss for the year increased by 79% from US$43.8million recorded in 2017 to US$78.4million during the year under review.

Revenue increased by 27% from US$54.5 million in 2017 to US$69.1 million in 2018. This increase is attributed to increased sales volume from the 1.2 million tonnes recorded in 2017 to 1.5 million tonnes in 2018.

PERFORMANCE

The financial performance was poor against comparable period in 2017 despite increased production and sales volumes mainly as a result of the impairment of some assets as well as subdued coal prices against increased input costs. The company's performance for the period under review also fell short of budgetary targets. This was due to low production levels attributable to working capital constraints. Monthly production average was 150,000 tonnes compared to the budgeted monthly production of 300,000 tonnes. As a result, the Company failed to meet the market demand.

Total sales tonnage was 1,522,209 tonnes against a budget of 3,541,860 compared to 1,288,485 and 3,607,799 respectively recorded in 2017. Cost of sales increased by 36% as a result of increased input cost which was driven by the parallel market exchange rate that was being used by most suppliers to charge their products in RTGS.

REVIEW OF OPERATIONS

As demonstrated by the improved sales and production volumes, there are signs of recovery despite the widening of the loss position which was mainly a result of impairment of assets and stripping activity assets written off which contributed about $27m. The strategic priorities for the Company's year-end were the following;

a) **Increased production and sales.**
During the year under review, the Company focused on increasing production and sales. Production increased to 1.79 million tonnes from the 1.2 million tonnes recorded in 2017 and sales increased to 1.5 million tonnes from the 1.2 million tonnes recorded in 2017.

b) **Open Cast Mining**
The Company's own open cast operation contributed 366,959 tonnes for the year which represents 20% of the total year end production and the contractor operation contributed 1,220,859 tonnes for the year which represents 68% of the total year end production. There is need to increase own production to over 50% of total production going forward. There were constraints in the logistics and processing section of the value chain which are being addressed. Coal movement was largely by road which is an expensive mode of transportation. The revival of the National Railways of Zimbabwe and our own conveyor belt to the power station will come as a solution to the logistical requirements for the product to reach to customers in a cost effective way. Efforts continue to be made to secure working capital.

c) **Optimisation of Underground Mine Operations**
The Company continued to optimise underground mine operations and managed to do over 35 000 tonnes for the best month and the aim is to increase production to 50 000 tonnes per month. While the full production of the underground mine operations were delayed, its a sign towards recovery as production of high value products is set and the Company's capacity to generate export sales from coking coal and coke is enhanced. Foreign currency remained a challenge during the year, as most of the underground equipment spares are imported from South Africa.

d) **Coke Production**
The Company is still pursuing takeover project of the Hwange Coal Gasification Company (HCGC) Coke oven battery pursuant to a BOOT Agreement with its Chinese partners in HCGC. Engagements remain in place to ensure that this is achieved without placing risk on the Company. The Company has placed more emphasis and attention on the building of its own coke oven battery going forward.

e) **Cost reduction**
The Company adopted a low cost high productivity strategy. This has enabled the Company to significantly reduce its costs. The employment costs have reduced owing to the short time working arrangement as well as revision of employment benefits in line with industry best practice as well as Company's capacity to pay. The strategy was however negatively affected by the macroeconomic environment which pushed prices of inputs up.

f) **Improve efficiencies and competitiveness**
As the Company increases the thrust on the core business of mining, it will also look at ways of allowing other entities to assist in the running of town services such as road maintenance, electrical power distribution and sewage treatment. The adoption of enterprise resource planning systems to automate the administration of the business will also improve efficiencies and lower the cost per ton of coal produced.

OUTLOOK

Strategic plans to unearth the Company's potential are being developed and these include:-

a) **Increasing the volume of high value and high margin coking coal**
The company will continue to focus more on underground mine operations and opencast operations at the JKL pit in order to increase high value coking coal in the product mix.

b) **Toll coking and replacement of Hwange Colliery's Coke Oven Battery**
The company will pursue toll coking arrangements with the available coke oven batteries in order to generate foreign currency from the export of coke in the medium to long term. The company will also consider options to construct own coke oven battery using the cheaper modern technologies.

c) **Fixed and mobile plant repair and restoration of full capacity**
As a mine that has operations spread-out on a wide geographic area, it is important to use efficient means of transporting coal from the pits to the processing plants and the rail siding. Therefore the repair and full capacity restoration of the coal handling plant, conveyor belts and the No 2 processing plant is a key enabler for high volume and least cost production. Urgent attention will be to increase excavators, repair the HMS plant and acquire the third shuttle car for underground.

d) **Development of new Concessions**
The life of mine at the current open cast operations is estimated to be less than 10 years. Therefore the non-renewal of the Western Areas coal fields mining rights threatens the future of the company as well as the 25 year coal supply agreement which was signed with the Zimbabwe Power Company's Hwange Power Station Stage 3 expansion. These new developments require the company to plead for the renewal of the western areas or get alternative reserves around the current mining areas if there are any chances to supply stage 3 expansion with coal and also guarantee of the opencast mining operations to beyond 10 years.

e) **Increase volume of export sales**
Given the deliberate focus on increasing the mix of high value and margin coking coal and coke, the Company will grow its market share in the neighbouring countries. Hwange Colliery's coking coal and coke meets exacting quality specifications in the ferro-chrome industries and smelters. In collaboration with the National Railways of Zimbabwe, the Company will develop dedicated solutions for the delivery of coking coal and coke products to customers in the region and within the country.

ZIMBABWE STOCK EXCHANGE LISTING

The Company's Listing on the Zimbabwe Stock Exchange was suspended on 2 November 2018 and remains suspended until the suspension is lifted.

DIRECTORATE

During the year under review Hwange Colliery Company was placed under reconstruction in terms of section 4 of the Reconstruction of State-Indebted Insolvent Companies Act (Chapter 24:27). I was appointed as Administrator, assisted by Mutsa Mollie Jean Remba & Munashe Shava.

Owing to the above, Messrs Muskwe J, Vera V, Masuku N and Tome E.N ceased to be Non-Executive Directors of Hwange Colliery Company Limited with effect from 26 October 2018.

APPRECIATION

I would like to express my gratitude to the administration team, management and Staff for their collective efforts and dedication to the Company.

B. Moyo (MR)
Administrator
26 April 2019

Auditor's Statement
The summary of the financial statements should be read in conjunction with the full set of audited financial statements of Hwange Colliery Company Limited for the year ended 31 December 2018 which have been audited by Independent Auditors Messrs Grant Thornton Chartered Accountants (Zimbabwe). The audit opinion on the company's financial statements is an adverse opinion in respect of going concern status of the company; non-compliance with International Accounting Standard 21, The effects of Changes in Foreign Exchange Rates; and the inclusion of the Financial results of the company's investments in associates and joint venture company for the year ended 31 December 2018 which have not been audited.

The audit report includes a section on key audit matters comprising of allowance for credit losses, recognition of revenue, valuation of inventory for coal and coal related products; provision for rehabilitation, understatement of payables and taxation.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Notes	2018 USD	2017 USD
Revenue	5	69 144 019	54 497 858
Cost of sales		(72 540 235)	(53 150 059)
Gross (loss)/profit		(3 396 216)	1 347 799
Other income	7	1 312 918	795 358
Other gains and losses	8	-	(3 609)
Marketing costs		(584 759)	(1 232 479)
Administrative costs		(32 261 863)	(25 098 637)
Impairment of assets	14	(19 607 454)	-
Care and maintenance		(6 314 355)	-
Loss on disposal of treasury bills		-	(6 521 040)
Operating loss before interest and tax		(60 851 728)	(30 712 608)
Finance costs	9	(17 614 462)	(13 062 019)
Share of profit/(loss) from equity accounted investments	10	23 507	(63 113)
Loss before tax	11	(78 442 683)	(43 837 740)
Income tax expense	12	-	-
LOSS FOR THE YEAR		(78 442 683)	(43 837 740)
Other comprehensive income:			
Share of other comprehensive income of equity accounted investments, net of tax		-	-
Other comprehensive income, net of tax		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(78 442 683)	(43 837 740)
Attributable loss per share - basic	13.1	(0.43)	(0.24)
- diluted	13.2	(0.43)	(0.24)
Headline loss per share - basic	13.3	(0.31)	(0.20)
- diluted	13.4	(0.31)	(0.20)

CONDENSED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Notes	2018 USD	2017 USD
ASSETS			
Non current assets			
Property, plant and equipment	14	80 135 517	107 569 137
Investment property	15	4 490 000	4 490 000
Investments accounted for using the equity method	16	14 776 538	14 753 031
Intangible assets	17	486 448	699 311
Inventories - non current portion	18	6 812 230	8 138 714
Stripping activity asset	19	1 471 273	-
		108 172 006	135 650 193
Current assets			
Stripping activity asset		-	8 871 563
Inventories	20	16 948 244	13 413 017
Trade and other receivables	21	31 914 245	31 427 775
Cash and cash equivalents	23	1 562 699	8 864 181
		50 425 188	62 576 536
Total assets		158 597 194	198 226 729
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	45 962 789	45 962 789
Share premium		577 956	577 956
Non-distributable reserve		4 358 468	4 358 468
Revaluation reserve		39 948 518	39 948 518
Accumulated losses		(380 872 376)	(302 429 693)
		(290 024 645)	(211 581 962)
Non current liabilities			
Finance lease liability	25	500 000	600 000
Borrowings	26.1	169 393 312	150 312 838
Long term creditors	27	212 511 251	210 226 850
Income tax liability		10 054 850	10 054 850
		392 459 413	371 194 538
Current liabilities			
Finance lease liability	25	811 190	390 969
Borrowings	26.2	545 455	-
Trade and other payables	27	38 644 022	24 364 013
Provisions	28	16 161 759	13 859 171
		56 162 426	38 614 153
Total equity and liabilities		158 597 194	198 226 729

CONDENSED STATEMENT OF CASH FLOWS

for the year ended 31 December 201

	Notes	2018 USD	2017 USD
Loss before tax		(78 442 683)	(43 837 740)
Adjustment for non-cash items:			
Foreign exchange loss		-	3 609
Insurance claim	7	(304 243)	(129)
Finance costs	9	17 614 462	13 062 019
Impairment of assets	14	19 607 454	-
Inventory write down of spares products		3 408 769	-
Depreciation	14	11 993 174	13 399 288
Share of (profit)/loss from equity accounted investments		(23 507)	63 113
Amortisation	17	212 863	269 530
Treasury bills discount reversal		(892 349)	-
Discount received		(441 721)	(1 756 767)
Operating cash flow before changes in working capital		(27 267 781)	(18 797 077)
Changes in working capital:			
(Increase)/decrease in inventory		(2 208 743)	2 895 528
Decrease/(increase) in stripping activity asset		7 400 290	(8 871 563)
Increase in receivables		(486 470)	(13 132 468)
Increase in provisions		2 302 588	2 695 829
Increase/(decrease) in trade and other payables		14 280 009	(212 673 109)
Cash utilised in operating activities		(5 980 107)	(247 882 860)
Interest paid		(1 254 171)	-
Net cash flows utilised in operating activities		(7 234 278)	(247 882 860)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(4 167 008)	(1 707 063)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/increase in long-term creditors		(5 896 901)	210 226 850
Proceeds from borrowings		12 789 048	52 284 000
Repayment of borrowings		(2 792 343)	(4 335 506)
Proceeds from insurance		-	129
Net cash flows generated from financing activities		4 099 804	258 175 473
Net decrease in cash and cash equivalents		(7 301 482)	8 585 550
Cash and cash equivalents at beginning of the year		8 864 181	278 631
Cash and cash equivalents at end of year	23	1 562 699	8 864 181

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Share capital USD	Share premium USD	Non-distributable reserves USD	Revaluation reserve USD	Accumulated losses USD	Total USD
Balance at 1 January 2017	45 962 789	577 956	4 358 468	39 948 518	(258 591 953)	(167 744 222)
Total comprehensive loss for the year	-	-	-	-	(43 837 740)	(43 837 740)
Balance at 31 December 2017	45 962 789	577 956	4 358 468	39 948 518	(302 429 693)	(211 581 962)
Balance at 1 January 2018	45 962 789	577 956	4 358 468	39 948 518	(302 429 693)	(211 581 962)
Total comprehensive loss for the year	-	-	-	-	(78 442 683)	(78 442 683)
Balance at 31 December 2018	45 962 789	577 956	4 358 468	39 948 518	(380 872 376)	(290 024 645)

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

for the year ended 31 December 2018

1 **Nature of operations and general information**
Hwange Colliery Company Limited is a Company whose principal activities include extraction, processing and distribution of coal and coal products and provision of health services and various retail goods and services. Its activities are grouped into the following three (3) areas:

i) Mining - the extracting, processing and distribution of coal and coal products.
ii) Medical services - provides healthcare to staff members and the surrounding community.
iii) Estates - the division provides properties for rental and sell retail goods and services.

The Company is a limited liability Company incorporated and domiciled in Zimbabwe. It is listed primarily on the Zimbabwe Stock Exchange (ZSE), and has secondary listing on the Johannesburg Stock Exchange (JSE) and London Stock Exchange (LSE).

The company's financial statements were authorised for issue by the Adminstrator on 26 April 2019.

Functional and presentation currency
These financial statements are presented in United States Dollars being the functional and reporting currency of the primary economic environment in which the Company operates. The continued constrained exchangeability between the United States Dollars and Real Time Gross Settlement or Bond notes and coins require application of IAS 21: The Effects of Changes in Foreign Currency Rates. However, the Company was not able to comply with the requirements of this standard due to the need to adhere to the requirements of Statutory Instrument 33 of 2019.

Use of estimates and judgements - Determination of the functional currency
In 2009, the Government introduced the multi-currency regime. The United States Dollar (USD) became the principal trading currency and was accepted as both the functional and presentation currency by most entities in Zimbabwe including the Company. Due to the shortages of foreign currency, which started in 2016 the Reserve Bank Of Zimbabwe introduced significant monetary and exchange control policies between 2016 to date . The following are some of the major policies introduced:

1 Introduction of government directives to open the Real Time Gross Settlement System (RTGS) to use other currencies (i.e. ZAR etc.) and the requirement for entities to further adopt and embrace multi-currencies.
2 Introduction of $200 million worth of bond notes in addition to the bond coins initially issued at 1:1 rate to the USD.
3 Promulgation of new legislation in the form of statutory instruments 122A of 2017 that defines currency to include bond notes and coins only for the purposes of the regulations. Statutory Instrument 122A of 2017 was crafted with the objective of curbing illegal dealings in currency and giving the police special powers to confiscate the currency notes.
4 Priority listing of foreign payments which brought an impact on the timing of settlement of foreign payables.
5 The seperation of RTG FCA accounts and Nostro FCA accounts with effect from 15 October 2018.

The shortage of cash and funded Nostro bank accounts saw the emergence of different prices for goods and services settled via Real time Gross Settlement System (RTGS), Point of sale (POS) and mobile money. As a result of this and other factors, the Administrators had to make an assessment to determine whether the use of the USD as the Company's functional currency is still appropriate and are the financial statements complying with the guidelines of IAS 21 . The different modes of settlement do not result in a change in functional currency. The Administrator concluded that the USD is still the functional currency for the Company and the RTGS$ for year under review was pegged at 1:1 with the US$.

2 **Statement of compliance**
The abridged financial results of the Company have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) and International Accounting Standards (IASB). The same accounting policies, presentation and methods followed in the abridged financial results are as applied in the Company latest annual financial statements. The Company partially complied with the International Financial Reporting Standards due to the requirements to comply with Statutory Instrument 33 of 2019.

3 **Changes in accounting policies**

3.1 New and revised IFRS affecting amounts reported and/or disclosures in the financial statements.

In the current year, the Company applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. The amended standards, described below, did not have a material impact on the financial position or performance of the Company:-

IFRS 9, Financial Instruments,
IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on hedge accounting, classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

There were no differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment of financial instruments.

The adoption of IFRS 9 has impacted the following areas:

- the classification and measurement of the Company's financial assets. Management holds financial assets to hold and collect the associated cash flows.
- the impairment of financial assets applying the expected credit loss model. This affects the Company's trade receivables measured at amortised cost. For contract assets arising from IFRS 15 and trade receivables, the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

3.2 New Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

IFRS 16 'Leases'
IFRS 16 will replace IAS 17 and three related Interpretations. It completed the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. IFRS 16 is effective from periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact the Company is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition.
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices.
- assessing their current disclosures for finance leases and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions.

4 **Summary of accounting policies**

4.1 **Overall considerations**
The financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below:

4.2 **Investment in associates and joint ventures**
Investments in associates and joint ventures are accounted for using the equity method.

The carrying amount of the investments is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associate or joint venture. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of the assets and liabilities.

Unrealised gains/losses on transactions between the Company and its associates or joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

4.3 **Revenue recognition**
Revenue comprises revenue from the sale of goods and the rendering of services. Revenue is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied and services provided, excluding sales taxes, rebates, and trade discounts.

4.4 **Operating expenses**
Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

4.5 **Finance costs**
Finance costs are reported on an accrual basis using the effective interest method.

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For the year ended 31 December 2018

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NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
for the year ended 31 December 2018

		2018 USD	2017 USD
5	**Revenue**		
	Mining	56 787 889	44 292 950
	Medical services	2 045 280	668 434
	Estates	10 310 850	9 536 474
		69 144 019	54 497 858

6 Segment reporting
For management purposes, the Company is organised into divisions based on its products and services and has three reportable segments, as follows:

i) Mining - the extracting, processing and distribution of coal and coal products.
ii) Medical services - provides healthcare to staff members and the surrounding community; and
iii) Estates - the division provides properties for rental and sell retail goods and services.
No operating segments have been aggregated to form the above reportable operating segments.

Management currently identifies the Company's three business lines as its operating segments. These operating segments are monitored by the Company's management and strategic decisions are made on the basis of adjusted segment operating results.

The Company's revenues from external customers are divided into the following geographical areas:

		2018 USD	2017 USD
	Sales within Zimbabwe	66 786 802	51 970 674
	Sales elsewhere in Sub-Saharan Africa	2 357 217	2 527 184
	Total revenue	69 144 019	54 497 858
7	**Other income**		
	Insurance claims	304 243	129
	Rental income	465 525	528 879
	Sale of scrap metal	241 624	90 037
	Sundry income	301 526	176 313
		1 312 918	795 358
8	**Other gains and losses**		
	Foreign exchange loss	-	(3 609)
9	**Finance costs**		
	Interest on loans and overdrafts	17 485 367	12 884 362
	Interest on leases	129 095	177 657
		17 614 462	13 062 019

Interest on loans and overdraft comprise of interest charged on the Government of Zimbabwe debt at a rate of 7% per annum , ZAMCO and EXIM loan and finance lease facilities at an interest rate of 7% and LIBOR + 3.5% per annum respectively.

10 Share of losses from equity accounted investments
Included in this amount is the Company's share of loss after tax from:

		2018 USD	2017 USD
	Clay Products (Private) Limited	23 507	(63 113)
	Hwange Coal Gasification Company	-	-
		23 507	(63 113)

11 Loss before tax
Loss before tax for the year has been arrived at after charging the following:

		2018 USD	2017 USD
	Expected credit losses	1 164 968	2 891 699
	Amortisation	212 863	269 530
	Annual licence fees - mining rights	-	125 000
	Audit fees	91 375	91 375
	Depreciation on property, plant and equipment	11 993 174	13 399 288
	Impairment of assets	19 607 454	-
	Directors' emoluments:		
	- Executive Directors	441 065	439 606
	- Non-Executive Directors	71 370	143 319
	Employee benefits expense	19 094 941	26 783 564
	Retrenchment package	-	2 346 042
	Loss on disposal of Treasury bills	-	6 521 040
11.1	**Employee benefits expense**		
	Salaries and other contributions	17 816 032	25 175 753
	Contribution to Mining Industry Pension Fund	974 373	1 056 360
	Contribution to National Social Security Authority	304 536	551 451
		19 094 941	26 783 564

Employee benefit expense amounting to USD 6 694 782 (2017: USD 11 558 294) was charged directly to cost of sales.

		2018 USD	2017 USD
12	**Income tax**		
12.1	**Current tax:**		
	Current tax	-	-
	Deferred tax	-	-
	Income tax (credit)/expense	-	-
13	**Loss per share**		
13.1	**Basic**		
	Loss attributable to shareholders	(78 442 683)	(43 837 740)
	Weighted average number of ordinary shares in issue	183 720 699	183 720 699
	Basic loss per share	(0.43)	(0.24)

Basic loss per share is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

13.2 Diluted

For diluted loss per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares being share options granted to employees.
The loss used in the calculation of all diluted loss per share measures are the same as those for the equivalent basic loss per share measures, as outlined above.

		2018 USD	2017 USD
	Loss used to determine diluted loss per share	(78 442 683)	(43 837 740)
	Weighted average number of ordinary shares in issues	183 720 699	183 720 699
	Diluted loss per share	(0.43)	(0.24)

13.3 Headline loss per share

Headline loss per share excludes all items of a capital nature and represents an after tax amount. It is calculated by dividing the headline loss shown below by the number of shares in issue during the year;

		2018 USD	2017 USD
	IAS 33 - Loss for the year	(78 442 683)	(43 837 740)
	Non - recurring items:		
	Proceeds on sale of scrap	(241 624)	(90 037)
	Retrenchement costs	-	4 382 064
	Impairment of assets	19 607 454	-
	Stripping activity asset impairment	7 400 290	-
	Loss on disposal of treasury bills	(892 350)	6 521 040
	Tax effect of the above	(4 756 921)	(2 260 089)
	Headline loss	(57 325 834)	(35 284 762)
	Weighted average number of ordinary shares in issue	183 720 699	183 720 699
	Headline loss per share	(0.31)	(0.19)
13.4	**Diluted headline loss per share**		
	Loss used to determine diluted headline loss per share	(57 325 834)	(35 284 762)
	Weighted average number of ordinary shares in issue	183 720 699	183 720 699
	Diluted headline loss per share	(0.31)	(0.20)
14	**Property, plant and equipment**		
	Carrying amount at the beginning of the year	107 569 137	119 261 362
	Additions	4 167 008	1 707 063
	Impairment	(19 607 454)	-
	Depreciation	(11 993 174)	(13 399 288)
	Carrying amount at the end of year	80 135 517	107 569 137

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for the year ended 31 December 2018

14.1 Finance lease arrangements

The Company has certain property that is held under a finance lease arrangement. As at 31 December 2018, the carrying amount of the property is USD 670 930 (2017: USD 720 931) included in freehold land and buildings. Finance lease liabilities are secured by the related assets held under finance leases.

		2018 USD	2017 USD
15	**Investment property**		
	Valuation at 1 January	4 490 000	4 490 000
	Fair value gains (included in other gains and losses)	-	-
	Valuation at 31 December	4 490 000	4 490 000

The following amount has been recognised in the statement of comprehensive income:

		2018 USD	2017 USD
	Rental income	465 525	528 879
16	**Investments accounted for using the equity method**		
	Investments in associates	23 507	-
	Investments in joint venture	14 753 031	14 753 031
		14 776 538	14 753 031
161	**Investments in associates**		
	Carrying amount as at 1 January	-	63 113
	Share of loss	23 507	(63 113)
	Carrying amount as at 31 December	23 507	-

The Company holds a 49% voting and equity interest in Clay Products (Private) Limited. Hwange Colliery Company Limited also holds a 44% voting and equity interest in Zimchem Refineries (Private) Limited. The investments are accounted for under the equity method.

The shares are not publicly listed on a stock exchange and hence published price quotes are not available. The aggregate amounts of certain financial information of the associates can be summarised as follows:

		2018 USD	2017 USD
16.2	**Investment in joint venture**		
	Carrying amount as at 1 January	14 753 031	14 753 031
17	**Intangible assets**		
	Carrying amount at the beginning of the year	699 311	968 841
	Amortisation	(212 863)	(269 530)
	Carrying amount at the end of year	486 448	699 311

The Company has an enterprise resource planning (ERP) software that supports the administration and control of the Company. Some modules for mine planning and marketing are still to be developed. Mining rights comprise coal mining claims which are yet to be mined. No intangible assets have been pledged as security for liabilities.

The Company has four (4) mining concessions, Hwange option area, Hwange Concession, Lubimbi East and Lubimbi West. The special grants, Lubimbi East and Lubimbi West measure 9 648, 4 200 and 10 995 hectares of minable area respectively and were awarded by the Government of Zimbabwe on 31 July 2015.

		2018 USD	2017 USD
18	**Inventories - non current portion**		
	Balance at 1 January	9 732 259	10 683 011
	Additions to stockpiles	281 260	-
	Sales	(1 205 808)	(950 752)
	Balance at 31 December	8 807 711	9 732 259
	Balance at end of year is classified as follows:		
	Non-current portion	6 812 230	8 138 714
	Current portion (included in inventories)	1 995 481	1 593 545
		8 807 711	9 732 259

The Company accumulated coal fines over the years for which an active market was identified in 2009. Coal fines in excess of the average annual uptake of the product have been classified as non-current assets.

No coal fines were written down in 2018 (2017: USD nil).

		2018 USD	2017 USD
19	**Stripping activity asset**		
	Balance at 1 January	8 871 563	-
	Current year pre-stripping costs	-	8 871 563
	Provision for impairment	(7 400 290)	-
	Balance at 31 December	1 471 273	8 871 563
	Balance at end of year allocated as follows:		
	Non-current assets	1 471 273	-
	Current assets	-	8 871 563
	Balance at end of year	1 471 273	8 871 563
20	**Inventories**		
	Raw materials / consumables	6 150 610	9 144 097
	Finished goods		
	- Coal	8 802 153	2 675 375
	- Coal fines (note 18)	1 995 481	1 593 545
		16 948 244	13 413 017

During the year ended 31 December 2018, a total of USD 3 408 769 (2017: USD 307 544) worth of inventories was included in profit and loss as an expense resulting from write down of inventories to net realisable value.

No reversal of previous write-downs was recognised as a reduction of expense in 2018 (2017: nil)

		2018 USD	2017 USD
21	**Trade and other receivables**		
	Trade receivables, gross	33 414 497	45 444 344
	Allowance for credit losses	(24 595 962)	(23 430 994)
	Trade receivables, net	8 818 535	22 013 350
	Other receivables	23 095 710	9 414 425
		31 914 245	31 427 775

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The Company adopted IFRS 9 "Financial instrustments" from 1 January 2018 which resulted in changes in the accouting policy on trade receivables. The Company elected the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, the credit risk and credit profile of each receivable was considered on an individual basis.

22 Related party balances and transactions

Included in the trade receivable and trade payable balances are related party balances that resulted from transactions that occurred between Hwange Colliery Company Limited and its related parties.

		2018 USD	2017 USD
	Related party receivables:		
	Hwange Coal Gasification Company	6 731 667	15 229 281
	Clay Products (Private) Limited	53 766	53 341
	Zimchem Refineries (Private) Limited	238 077	235 581
		7 023 510	15 518 203
	Related party payables:		
	Hwange Coal Gasification Company	4 338 672	14 011 004
	Zimchem Refineries (Private) Limited	24 639	39 666
		4 363 311	14 050 670
	Transactions with Hwange Coal Gasification Company (HCGC)	5 549 868	4 833 006
	Transactions with Clay Products (Private) Limited	62 533	7 705
	Transactions with Zimchem Refineries (Private) Limited	26 645	19 481
	Loans from shareholders	138 174 513	119 955 416
	Transactions with key management personnel	3 559 978	3 285 191

23 Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents include cash on hand and in banks net of outstanding bank overdrafts.

		2018 USD	2017 USD
	Bank and cash balances	1 562 699	8 864 181

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
for the year ended 31 December 2018

		2018 USD	2017 USD
24	**Share capital**		
	Authorised		
	204 000 000 Ordinary shares of USD0.25 each	51 000 000	51 000 000
	Issued and fully paid		
	110 237 432 Ordinary shares of USD0.25 each	27 559 358	27 559 358
	5 925 699 Ordinary shares issued under share option scheme	1 514 039	1 514 039
	67 557 568 "A" Ordinary shares of USD0.25 each	16 889 392	16 889 392
		45 962 789	45 962 789
25	**Finance lease liability**		
	Non-current	500 000	600 000
	Current	811 190	390 969
		1 311 190	990 969

The finance lease liability carrying amount is disclosed as follows:

		2018 USD	2017 USD
25.1	**OK Zimbabwe**		
	Long term portion	500 000	600 000
	Add: Short term portion	811 190	390 969
		1 311 190	990 969
	Finance lease liability		
	Principal	1 000 000	1 000 000
	Accrued interest	311 190	(9 031)
		1 311 190	990 969
26	**Borrowings**		
26.1	**Long term loans**		
	Export Import Bank of India (EXIM)	14 430 000	13 703 666
	Government of Zimbabwe	138 174 513	119 955 416
	Zimbabwe Asset Management Corporation (ZAMCO)	16 788 799	16 653 756
		169 393 312	150 312 838
	less - Current portion of long term loans	-	-
		169 393 312	150 312 838
26.2	**Short term loans**		
	CBZ	545 455	-
27	**Trade and other payables-Current**		
	Trade	16 478 846	9 382 539
	Other	22 165 176	14 981 474
		38 644 022	24 364 013
	Trade and other payables-Long term		
	Trade	89 873 683	73 277 839
	Other	122 637 568	136 949 011
		212 511 251	210 226 850
28	**Provisions**		
	Provision for rehabilitation	8 683 675	7 217 507
	Other provisions	7 478 084	6 641 664
		16 161 759	13 859 171
28.1	**Provision for rehabilitation**		
	At 1 January	7 217 507	6 371 883
	Charged to profit or loss:		
	Additional provisions made during the year	1 466 168	845 624
	At 31 December	8 683 675	7 217 507
28.2	**Other provisions**		
	Death benefits	4 095 801	3 528 559
	Leave pay and bonus provisions	3 382 283	3 113 105
		7 478 084	6 641 664

29 Going concern

The Company is experiencing the following challenges which have an effect on its ability to continue operating as a going concern:

29.1 Recurring losses

The Company incurred a loss for the year of USD 78 442 683 (2017 : USD43 837 740). The increase in the reported loss by the Company is mainly attributable to non recurring expenditure recognised by the company through the impairement of assets amounting to USD 27 007 744.

29.2 Negative equity

As at 31 December 2018, the Company's total liabilities exceeded total assets resulting in a negative equity position of USD 290 024 645 (2017: USD 211 581 962). This is attributable to recurring losses which eroded the capital and reserves.

29.3 Low machine availability

The Company experienced low machine availability mainly as a result of technical challenges faced in operating the equipment and indaquate working capital.

In view of the above, the Administrators have assessed the ability of the Company to continue to operate as a going concern and are of the view that the preparation of these financial statements on a going concern basis is appropriate as supported by the following plans which are intended to address these challenges:

Hwange placed under reconstruction
Hwange Colliery Company Limited has been placed under reconstruction in terms section 4 of the reconstruction of State-Indebted Insolvent Companies Act (chapter 24:27). This was done to rescue the company from the current difficulties which resulted in liabilities of the company exceeding assets which is technical insolvent. This is expected to give a professional and fresh approach to try and give the company a chance to overcome the bottlenecks which were centered on poor production and sales volumes.

Comprehensive production and sales plan
"The company has put in place a comprehensive production and sales plan which will be driven by own mining at 3 Main underground mine and JKL opencast mine. This plan will see 3 Main producing an average of 35 000 MT per month of high value coking coal in the first half of 2019 and will increase production to 40 000 MT in July and to 50 000 MT in October 2019. JKL operation will produce an average of 70 000 MT per month in the first half of 2019 and increase the volumes to 120 000 in the 2nd half. This will be 50% power coal and 50% high value coking coal. The mining contractor is also expected to produce 100 000 MT per month as from July 2019. This will be 50% industrial coal and 50% power coal. This production plan will see the company shifting away from the traditional approach of relying more on the contractor capacity than its own production.

Audited Abridged Financial Results

For the year ended 31 December 2018

HWANGE
COLLIERY COMPANY LIMITED
(Incorporated in Zimbabwe)

(Under Reconstruction)

"The sales plan will be driven by the sale of high value coking coal to mainly coke batteries and industry. The company is also planning to start producing coke by the second half of 2019 through toll coking. The company has capacity and market to produce and sale a minimum of 45 000 MT of coking coal locally. The company have also made significant steps towards penetrating the southern market which has potential for 30 000 MT of coking coal and 10 000 MT of industrial coal which will bring the much needed foreign currency. The company has put in place a mechanism to raise significant amounts of foreign currency from both exports and domestic sales. The foreign currency will be used to fund working capital and capital projects that are required to increase production to 170 000 MT for HCCL own mining.

"The key projects that are expected to stabilize production to the planned level of 170 000 MT for HCCL own mining is the acquisition of 2 excavators for opencast and a third shuttle car for 3 Main. The projects will be funded mainly from the internally generated resources through the sale of coking coal and some prepayment arrangements with some key customers.

Cost control and working capital management strategies
The company is also going to implement a very tight cost control and working capital management system by allocating most of the cash resources towards the operations requirements. This will ensure that the company will only spend what they have generated. This will be achieved by ensuring that most customers will be paying upfront on all their orders and also paying most creditors upfront. This will stop the ballooning of liabilities which has pushed the company into negative net current assets.

Continuing with the scheme of arrangement
"The company will continue with the scheme of arrangement, agreed payment plan to creditors although the time lines maybe adjusted a bit through engagements with all the creditors. This strategy will see the company reversing the gross loss in 2019 and start moving towards profitability.

30 Operating environment

In 2017, the economic environment had started to show signs of distortions where a 'multi-tiered' pricing regime was creeping into the economy in which similar goods and services were being priced differently depending on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes and coins.

The 2018 operating environment was characterised by significant monetary and fiscal policy reforms that commenced in October 2018.
Distortions in the foreign exchange market negatively affected the economic environment resulting in the proliferation of the 'multi-tiered' pricing where settlement of transactions was depending on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes and coins.

During the year, the company predominantly transacted in RTGS FCA (electronic payments), including mobile money, bond notes and coins.

Events after the reporting date
On 20 February 2019, the Reserve Bank of Zimbabe (RBZ) Governor announced a new Monetary Policy Statement whose highlights were as follows:

30.1 The denomination of RTGS balances, bond notes and coins collectively as RTGS dollars "RTGS $" and subsequent inclusion of RTGS dollars as part of the multi-currency sytsem.

30.2 RTGS dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing goods and services, record debts, accounting and settlement of domestic transactions.

30.3 The establishment of an inter-bank foreign exchange market where the exchange rate would be determined by market forces.

On 22 February 2019, Statutory Instrument 33 of 2019 was issued. The statutory instrument prescribed the accounting for RTGS balances and bond notes, and USD transactions as well as the related conversions. It also gave effect to the introduction of the RTGS dollar as legal tender. In terms of this statutory instrument, "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the USD and would become opening RTGS dollar values from the effective date. Following this, the Administrators adopted the RTGS dollar as its functional and reporting currency with effect from 22 February 2019.

Adjusting events
The announcement of the Monetary Policy Statement on 20 February 2019 and the subsequent issuance of 'SI 33/2019' on 22 February 2019 were considered by management to be adjusting events after the reporting period, which, in terms of IAS 10 - Events after the reporting period, would require adjustments to the financial statements. However, 'SI 33/2019' prescribed specific accounting treatment for assets and liabilities which was not consistent with International Financial Reporting Standards (IFRSs), in the light of the lack of consistency between the requirements of IFRSs and 'SI 33/2019', management were guided by 'SI 41/2019' which states that in the case of any inconsistency between a local pronouncement issued by the Board through a notice in the Government Gazette and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency. Management have therefore prepared these financial statements in USD and applied a rate of 1:1 between USD

A sensitivity analysis for events after the reporting period for the financial year ended 31 December 2018 is shown below:

	COMPONENTS OF REPORTED AMOUNTS				SENSITIVITY ANALYSIS		
	Monetary Assets/ Liabilities Nostro FCA	**Monetary Assets/ Liabilities Nostro FCA**	**Non-monetary Assets/ Liabilities Nostro FCA**	**Total translated at a rate of US$1:RTGS$1**	**Total RTGS $ translated at a rate of US$1:RTGS$2.5**	**Total RTGS $ translated at a rate of US$1:RTGS$3.5**	**Total RTGS $ translated at a rate of US$1:RTGS$4**
Element							
ASSETS							
Property, plant and equipment	-	-	80 135 517	80 135 517	80 135 517	80 135 517	80 135 517
Investment property	-	-	4 490 000	4 490 000	4 490 000	4 490 000	4 490 000
Investments accounted for using the equity method	-	-	14 776 538	14 776 538	14 776 538	14 776 538	14 776 538
Intangible assets	-	-	486 448	486 448	486 448	486 448	486 448
Inventories - non current portion	-	-	6 812 230	6 812 230	6 812 230	6 812 230	6 812 230
Stripping activity asset	-	-	1 471 273	1 471 273	1 471 273	1 471 273	1 471 273
Inventories	-	-	16 948 244	16 948 244	16 948 244	16 948 244	16 948 244
Trade and other receivables	2 048 535	29 865 710	-	31 914 245	34 987 049	37 035 584	38 059 852
Cash and cash equivalents	43 578	1 519 121	-	1 562 699	1 628 066	1 671 644	1 693 433
Total assets	2 092 113	31 384 831	125 120 250	158 597 194	161 735 364	163 827 477	164 873 534
EQUITY AND LIABILITIES							
Share capital	-	45 962 789	-	45 962 789	45 962 789	45 962 789	45 962 789
Share premium	-	577 956	-	577 956	577 956	577 956	577 956
Non-distributable reserve	-	4 358 468	-	4 358 468	4 358 468	4 358 468	4 358 468
Revaluation reserve	-	39 948 518	-	39 948 518	39 948 518	39 948 518	39 948 518
Translation reserve	-	-	-	-	(53 383 783)	(88 972 972)	(106 767 566)
Accumulated losses	-	(380 872 376)	-	(380 872 376)	(380 872 376)	(380 872 376)	(380 872 376)
Total shareholders' equity	-	(290 024 645)	-	(290 024 645)	(343 408 428)	(378 997 617)	(396 792 211)
LIABILITIES							
Finance lease liability	-	1 311 190	-	1 311 190	1 311 190	1 311 190	1 311 190
Borrowings	14 430 000	155 508 767	-	169 938 767	191 583 767	206 013 766	213 228 766
Long term creditors	23 251 302	189 259 948	-	212 511 251	247 388 204	270 639 506	282 265 157
Trade and other payables	-	38 644 022	-	38 644 022	38 644 022	38 644 022	38 644 022
Income tax liability	-	10 054 850	-	10 054 850	10 054 850	10 054 850	10 054 850
Provisions	-	16 161 760	-	16 161 760	16 161 760	16 161 760	16 161 760
Total liabilities	37 681 302	410 940 537	-	448 621 839	505 143 792	542 825 094	561 665 745
Total equity and liabilities	37 681 302	120 915 892	-	158 597 194	161 735 364	163 827 477	164 873 534

31 Administration

The Government on the 26th of October 2018 granted a reconstruction order for Hwange Colliery Company Limited under the Reconstruction of State-Indebted Insolvent Companies Act [Chapter 24:27] (No 27 of 2004).

31.1 The following were appointed:

Mr. Bekitemba Moyo	Administrator
Ms. Mutsa Mollie Jean Remba	Assistant Administrator
Mr. Munashe Shava	Assistant Administrator

Grant Thornton

INDEPENDENT AUDITORS' REPORT

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To the members of Hwange Colliery Company Limited

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the Financial statements of Hwange Colliery Company Limited as set out on pages 10 to 58, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the Financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not present fairly the financial position of Hwange Colliery Company Limited as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act (Chapter 24:03) and the relevant Statutory Instruments ("SI") SI33/99 and SI 62/96.

Basis for Adverse Opinion

Going concern

As described in notes 34.1 and 34.2 to these financial statements, the Company incurred a loss for the year of **USD78 442 683** (2017: **USD43 837 740**) and, as at 31 December 2018, the Company's total liabilities exceeded its total assets by **USD290 024 645** (2017:**USD211 581 962**).

As more fully disclosed in note 34.4 to these financial statements, the Company was placed under reconstruction in terms section 4 of the Reconstruction of State-Indebted Insolvent Companies Act (Chapter 24:27). This was done to rescue the company from the current difficulties which resulted in liabilities of the company exceeding assets.

The Company's administrator has initiated plans to address these and other challenges through the following, amongst other turnaround initiatives:

- Implementation of cost control and working capital management system by allocating most of the cash resources towards the operations requirements.
- Putting in place a comprehensive production and sales plan which will be driven by own mining at 3 Main underground mine and JKL opencast mine.
- Continue with the scheme of arrangement, agreed payment plan with creditors taking into consideration any adjustments in time lines after engagement with all creditors.

Non-compliance with International Accounting Standard (IAS) 21 - The Effect 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.

As described in Note 39 to these financial statements, during the year ended 31 December 2018, the Company transacted using a combination of Nostro FCA (USD) and RTGS FCA (electronic payments), including mobile money, bond notes and coins. These financial statements have a mix of transactions and balances denominated at an exchange rate of 1:1 between the Nostro FCA (USD) and RTGS FCA, including mobile money, bond notes and coins.

The Company operated in a 'multi-tiered' pricing environment during the period under review, where settlement of transactions was dependent on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes and coins. This 'multi-tiered' pricing environment resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21-The Effects of Changes in Foreign Exchange Rates, would apply.

Subsequent to year-end, as indicated in note 40 to these financial statements, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. In addition, SI 33/2019 fixed the exchange rate between the RTGS Dollar and the USD at 1:1 for the period up to its effective date.

The Company maintained its functional currency as the USD and has presented the financial statements in USD using an exchange rate of 1:1, in compliance with SI 33/2019. This constitutes a departure from the requirements of IAS 21. There was lack of consistency between the requirements of SI 33/2019 and IAS 21in that SI 33/2019 gives the USD as the functional currency at 1:1 with the RTGS dollar while IAS 21 requires that an assessment be made of the change in functional currency and financial statements be presented at a rate that approximates the market rate. As described in note 40, the Company had to be guided by SI 41/2019 which states that in the case of any inconsistency between a local pronouncement issued by the Board through a notice in the Government Gazette and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency. 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 Company'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.

The Directors have performed a sensitivity analysis of how different exchange rates would have impacted the financial statements as at 31 December 2018 and disclosed this sensitivity analysis in note 40 to the financial statements. These amounts presented may not reflect the opening balances, in RTGS Dollars, going forward.

Financial results of equity accounted investments included in the financial statements not audited

As described in note 16 to these financial statements, included in equity accounted investments are the Company's share of losses from its investments in associates and joint ventures, namely; Clay Products Limited, Zimchem Refiners (Private) Limited and Hwange Coal Gasification Company Limited. The financial statements of the associates and the joint venture company have not been audited. Accordingly, we were unable to determine whether any adjustments might be necessary to the share of profit from equity accounted investments, and the effect this might have on the financial statements.

Financial support from the Government of Zimbabwe

Included in borrowings is an amount of **USD 10 364 514** that was availed by the Government of Zimbabwe. We were not availed with documentation pertaining to this amount. Consequently, we were unable to verify the classification and valuation of this amount received from the Government of Zimbabwe.

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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Adverse Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	**How our audit addressed the key Audit Matter**
Allowance for credit losses The Company has trade receivables amounting to USD 33 414 497 and allowance for credit losses of USD 24 595 962 as disclosed in note 21 to the financial statements and form a major portion of the Company's assets. We considered this area a key audit matter as it requires the application of subjective assumptions and judgement by management.	• We reviewed the methodology and assumptions used in determining the allowance for credit losses by reference to internal and external evidence, as well as the appropriateness of the process of making such estimates. • Performed an independent assessment of the allowance for credit losses and compared our results to the management estimate so as to ascertain the adequacy of allowance for credit losses. We considered management's judgement to be reasonable and we satisfied ourselves that the allowance for credit losses

	provided by the Company is adequate and appropriate.
Recognition of revenue Revenue is a key measure used to evaluate the performance of the Company. ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, presumes that there are risks of fraud in revenue recognition and requires the auditor to treat those assessed risks of material misstatement due to fraud as significant risks. The material misstatement may arise as a result of revenue being presented at amounts higher than what has been generated by the Company. This is a significant risk and accordingly a key audit matter.	• We identified the occurrence, completeness and cut-off of revenue as key focus areas of our audit. • Our audit procedures included testing of design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of revenue transactions. • We identified key controls and tested these controls to obtain satisfaction that they were operating effectively throughout the year under review. • The results of our controls testing formed 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). • We performed analytical procedures and assessed the reasonableness of explanations provided by management. We satisfied ourselves that the Company's revenue recognition is adequate and appropriate.
Valuation of inventory for coal and coal related products The inventory of the company includes coal and coal related products and most of the costs of production are fixed costs. The Company is currently operating at below full capacity and there is a risk that the unit cost of production exceeds the net realisable value of the coal and coal related products upon sale to customers. The Company sells coal fines to cement and brick manufactures and has included in its inventories, coal fines valued at USD 8 807 711 as at 31 December 2018. Coal fines are a by-product from crushing and processing of coal various sizes of coal products.	• Our audit procedures included attendance at year-end physical inventory counts to observe how management and the experts/surveyors involved quantified the inventory. • We considered the competence of the surveyors as evidenced by certification, license or recognition by the appropriate professional board. • We reviewed the results of their reports, and sought to understand and corroborate the reasons for significant or unusual movements in inventory quantities. • We reviewed the methods and assumptions used by the experts.

There is no observable market to determine the fair value of coal fines, and as a result there is a risk that the carrying amount of coal fines inventory may exceed the net realisable value. The valuation of coal and coal related products has been considered a key audit matter.	• We reviewed the most recent prices at which coal and coal related products had been sold to customers and verified whether the inventory was carried at the lower of cost and net realisable value. • Reviewed the financial statements to ascertain whether the inventory for coal and coal related products had been correctly classified as either current or non-current assets. • Inspected the financial statements to ascertain whether management had made appropriate disclosures with regards to coal and coal related products. We are satisfied that coal and coal related products, including coal fines, have been properly valued and classified in the financial statements.
Trade and other payables **Understatement of payables** • The company has been failing to settle its creditors as they fall due. As at 31 December 2018, the Company had payables amounting to USD 251 155 273. There is a risk that the payables are understated due to non-recognition of interest charges by suppliers on overdue amounts. This is a significant risk and accordingly a key audit matter.	• Reviewed the creditors' reconciliation statements prepared by management. • Obtained confirmations directly from creditors with material balances as at 31 December 2018. • Ensured that management adjusted the ledger balances to reflect the effect of the differences between the confirmed balances and those in the ledger. • Vouched a sample of cash disbursements recorded just after year end to receiving reports and invoices from suppliers. We are satisfied that the procedures we performed on payables are adequate.
Income taxes and deferred tax In the context of our audit of the Company's financial statements, income taxes and deferred tax were considered to be key audit matters because they entail significant management judgement as summarized below.	• We involved our tax specialist to evaluate the recognition and measurement of tax liabilities. • We tested the completeness and accuracy of the amounts reported for current tax through review of correspondence with tax authorities and tax returns submitted during the year.

Income taxes: • The assessment process for income taxes is complex and the amounts involved are material to the financial statements, taken as a whole. • In determining the amounts to be taxed, the Company makes judgements and estimates in relation to tax issues. **Deferred tax:** The Company has a significant amount of deferred tax assets, mainly resulting from net operating losses. The risk exists that future profits will not be sufficient to fully recover the deferred tax assets. This is a significant risk and accordingly a key audit matter.	• In this area, our audit procedures included, among others, using our own tax specialists to assist us in assessing the appropriateness of the level of deferred tax liability balance recognized in the balance sheet. • We mainly focused on the long-term forecasts and critically assessed the assumptions and judgements included in these forecasts by considering the historical accuracy of forecasts and the sensitivities of the profit forecasts. Based on the procedures performed, we consider management's key assumptions to be within a reasonable range. We also assessed the adequacy of the tax disclosures in the financial statements.

Other information

The Administrator is responsible for the other information. The other information comprises the Administrator's' Report 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 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and in the manner required by the Companies Act (Chapter 24:03) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 entities or business activities within the Company to express an opinion on the Financial statements. We are responsible for the direction, supervision and performance of the Company 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this Independent auditor's report is Farai Chibisa.

Grant Thornton

Farai Chibisa
Partner

Registered Public Auditor (PAAB No: 0547)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

29 April 2019

HARARE