RioZim Limited

REVIEWED GROUP INTERIM FINANCIAL RESULTS

For the half year ended 30 June 2019

"The Group recorded a clean health, safety and environmental performance with no fatalities being recorded. This bears testimony to the safety culture and robust safety standards which management and all employees have been able to maintain and continually improve across all our operations..."

Chairman's Statement

INTRODUCTION

It is my honour to present to you the Company's 2019 interim financial results as the new Chairman of the RioZim Board. The regulatory pronouncements made in the current year have had a negative impact on the performance of the Company during the period under review. It is my hope that I will build on the foundations laid by my predecessor to take the Company to greater heights.

From the introduction of a local currency to the various economic stabilisation policies implemented by the Government, 2019 has proven thus far to be a complex year for not only RioZim Limited but the nation at large. Notwithstanding all these developments, RioZim Limited has been able to, at great costs, withstand the various economic challenges and remain a viable commercial enterprise and it is under this backdrop of unprecedented challenges that I present to you the Company's half year results for the period ending 30 June 2019. It is important to note that in accordance with SI 142 issued by the Government of Zimbabwe, the Company has adopted the Zimbabwean Dollar as its medium of exchange for local transactions. Further, considering that the Zimbabwean Dollar is the only legally recognised currency within the country, the Company has also decided to change its reporting currency to the Zimbabwean Dollar. The Government also introduced the interbank market in February 2019 which determines the exchange rate between foreign currencies and the Zimbabwean Dollar. The interbank exchange rate is the only official and legal rate in the country. The Company therefore used the interbank exchange rate to convert transactions and balances in foreign currencies to Zimbabwean Dollar which is the Company's presentation currency. The interbank rate did not meet the definition of a market exchange rate as per the requirements of IAS 21 "The effects of changes in foreign exchange rates". As a result, an adverse review conclusion has been issued by the Auditors. It is pertinent to note, however, that this is a nation-wide phenomenon and is not restricted to our Company alone. Notwithstanding the interbank rates used by the Company, there was no other observable legal market exchange rates that would satisfy the requirements of IAS 21.

In October 2018 the Government introduced the Transitional Stabilisation Programme (TSP), which was aimed at prioritising fiscal consolidation, economic stabilisation and stimulation of growth and the creation of employment within the economy. This was thereafter followed by a variety of economic reforms that had significant impact on the country's economy and the general mode of doing business within Zimbabwe. Such impactful economic reforms include the pronouncement of the interbank market followed by the liberalisation of the exchange rate between the Zimbabwean Dollar and the United States Dollar. As far as the Company is concerned, these policy changes enabled it to get a slightly better realisation of the value of its export proceeds at close to market price. Prior to these regulatory interventions, the Company had been trading at significantly below market value and this had significantly eroded the Company's equity and left its balance sheet heavily weakened.

However, notwithstanding the gains achieved by the Company as is mentioned above, the period remained extremely challenging locally from a macro-economic perspective with the continued deterioration of the local Zimbabwean currency, high inflation, and fuel shortages.

Furthermore, the local market prices persistently tracked the movement of exchange rates in the parallel markets which are significantly higher than the interbank rate. Additionally, incessant power cuts which commenced in the second quarter of the year significantly affected production. As a direct result of these power cuts, the Group, recorded a decrease in its production by 8% to 962kgs from 1 050kgs achieved in the comparative period in 2018. The Company is now back to paying for almost everything in US Dollars and is therefore extremely short of US Dollars. This is impacting working capital, maintenance and expansion capital expenditure. In the absence of either being allowed to retain and use 100% of its export proceeds or raise and use US Dollars from shareholders, the Company's position will continue to be extremely challenging.

I am however pleased to report that the Group recorded a clean health, safety and environmental performance with no fatalities being recorded. This bears testimony to the safety culture and robust safety standards which management and all employees have been able to maintain and continually improve across all our operations.

Group performance

Revenue for the period under consideration stood at ZWL$136.7 million. This low revenue achievement is mainly attributable to the decrease in gold production associated with the incessant power cuts experienced during the period under review. The gold price however firmed up to an average of USD1 346/oz against USD1 298/oz recorded in the same comparative period in 2018, and this, provided a cushion on the lower production volumes. The Company also benefited from the combined effect of lower costs in USD terms for its very limited Zimbabwean Dollar denominated costs which resulted in the Group recording an operating profit of ZWL$46.9 million. The Group closed the period with a net profit of ZWL$38.2 million. It is to be noted, however, that a substantial amount of the Company's costs is being converted back into US Dollar terms and, therefore, it is expected that there will be future pressure on the bottom line of the Group.

Gold businesses

Cam & Motor Mine – The Mine achieved 489kgs, a 7% growth from 458kgs achieved in the same period in 2018. This performance was at the back of processing of pure oxide ores with good grades and higher recoveries. To guarantee continuity of oxides whilst the Mine is in the process of constructing its Biological Oxidation (BIOX) plant to treat refractory ore, the Mine will source ore from the Group's One Step Mine which is within the proximity of the current Cam and Motor mine processing plant. Preparations for mining and trucking of ore from One Step were at an advanced stage as at close of period and mining has commenced in the third quarter of 2019. The Company needs to raise US Dollars to continue and complete the BIOX plant. Assistance continues to be arranged by our principal shareholder but that is not sustainable.

Dalny Mine – The Mine experienced acute power cuts in the second quarter of the year. This worsened during the month of June with the Mine only afforded an average of 4-6 hours of plant running time per day. Resultantly production regressed by 7% to 215kgs from 232kgs recorded in the same period in 2018.

Renco Mine – Renco experienced some plant breakdowns which reduced production processing time. In addition, the incessant power cuts in the second quarter of 2019 had a negative impact on gold output. The mine therefore, produced 259kgs which is only 72% of comparative period production of 360kgs.

Base Metals business

The Empress Nickel Refinery (ENR) remained under care and maintenance. ENR processed rivets into matte during the period so as to generate revenue to meet care and maintenance costs as well as continue preserving the integrity of the plant. Engagements are continuing with various stakeholders for potential raw material offtake that can be effectively beneficiated at the Refinery and these are at differing levels and stages of negotiation.

Diamonds business

Murowa Diamonds (Private) Limited achieved a 16% growth in production to 390,000 carats from 343,000 carats produced in the comparative period in 2018. Consequently, the share of profit from Associate also grew to ZWL$12.8 million.

Chrome business

During the period the Company remained seized with legal battles relating to some of its chrome claims in the Darwendale area, and the matter is still within the courts. Once the court processes are concluded, the Company remains committed to its plan of resumption of mining operations on its chrome claims after due consideration of chrome prices.

Energy business

The Group continues to vigorously pursue its power projects pipeline to guarantee stable power supply not only to its operations but also to assist in improving the electricity deficit in the country. The two major projects are the 178MW solar project and the Sengwa thermal power station.

178 MW Solar Project

An Engineering Procurement and Construction (EPC) partner who has the requisite expertise and experience to undertake the project has been secured and binding memorandums of understanding between the parties have already been concluded. The design work and grid impact assessment for the project has been concluded. Implementation of the project is expected in the immediate future once negotiations relating to the financing structure are finalised

2 800 MW Sengwa Power Station

The project entails the development of a coal mine, power station, water pipeline and power transmission lines to the national grid. Significant progress was made during the period with the Bankable Feasibility Study completed and a suitable Investment Partner in the project was identified. The Company together with the Investment Partner are in the process of finalising the funding structure which should see ground breaking in the short term for the first phase of 700 MW.

Sustainability

The Group is committed to promoting sustainability, protecting the environment and adding value to the communities that it operates in. The Company through the RioZim Foundation Trust, is engaged in several projects to ensure that the needs of the communities that we operate in are met. A major focus point for the Trust during the period under review was the assistance in the form of donations and basic commodities given to the communities affected by Cyclone Idai.

Outlook

The BIOX plant project at Cam and Motor Mine is underway. Civil works for the project are in full swing and structural steel fabrications are in progress. Key suppliers and contractors have also been appointed. The plant is expected to be commissioned in the fourth quarter of 2020 as long as we are able to find foreign currency.

Exploration remains a key focus for the Group, and the Company continues to invest in cutting edge exploration equipment to advance exploration activities on its current active mines and non-active mining claims.

Power supply deficit remains a key risk in the second half of 2019. Even though the Company is paying for uninterrupted power supply in United States Dollars, the Group has continued to experience intermittent load shedding.

Despite the gloomy preface in the operating environment in the second half of 2019, the Company remains confident in the interventions being put in place by the Government to stabilise power supply and curb rising inflation which should see the mining sector bounce back to full capacity.

Directorate

Following the retirement of Mr. Lovemore Pfupajena Chihota from the position of Chairman and Non-Executive Director of the Board on 24th of June 2019, I was appointed as the Chairman effective that date. I want to thank Mr Chihota for his leadership, he left us an outstanding legacy to build on.

I would like to congratulate Mr Caleb Dengu on his appointment as Vice Chairman of the Board on the 7th of August 2019. Mr Dengu has been a non-Executive member of the RioZim Board since 2014. The Board is confident that he will serve the Company with distinction.

I would also like to extend a warm welcome to Mr John Mafungei Chikura who was appointed to the Board as Non-Executive Member on the 23rd of April 2019 and Mr. Manit Mukeshkumar Shah who was appointed to the Board as an Executive Director on the 7th of July 2019. The Board looks forward to benefitting from their contribution and wishes them all the best during their tenure on the Board.

Appreciation

I would like to extend my sincerest gratitude to my fellow Directors for their continued stewardship in driving the Company to greater heights. I also wish to express my appreciation to Management and Staff for their hard work, commitment to duty and dedication to the Company.

S R Beebeejaun
Chairman
29 October 2019

Interim Condensed Consolidated Statement Of Profit Or Loss

for the six months ended 30 June 2019

	30 June 2019 Reviewed ZWL$000	30 June 2018 Reviewed ZWL$000
Revenue	136 685	44 396
Cost of sales	(77 933)	(34 859)
Gross profit	**58 752**	**9 537**
Distribution and selling expenses	-	(20)
Administrative expenses	(26 612)	(11 674)
Gains on disposal of property plant and equipment	-	38
Other income	14 804	4 379
Operating profit	**46 944**	**2 260**
Finance cost	(4 668)	(2 967)
Share of profit from an associate	12 840	913
Profit before taxation	**55 116**	**206**
Income tax (expense)/credit	(16 940)	200
Profit for the period	**38 176**	**406**
Profit for the period attributable to:		
Equity holders of the parent	38 337	418
Non-controlling interests	(161)	(12)
	38 176	**406**
Earnings per share (cents)		
Basic	31.42	0.34
Diluted	31.42	0.34

Interim Condensed Consolidated Statement Of Other Comprehensive Income

for the six months ended 30 June 2019

	30 June 2019 Reviewed ZWL$000	30 June 2018 Reviewed ZWL$000
Profit for the perod	**38 176**	**406**
Other comprehensive income/(loss) to be reclassified to profit and loss		
Foreign currency translation exchange gains	553 154	-
Total comprehensive income for the period	**591 330**	**406**
Total comprehensive income attributable to:		
Equity holders of the parent	591 491	418
Non-controlling interests	(161)	(12)
	591 330	**406**

Interim Condensed Consolidated Statement Of Financial Position

as at 30 June 2019

	Note	30 June 2019 Reviewed ZWL$000	31 Dec 2018 Audited ZWL$000
ASSETS			
Non current assets			
Property, plant and equipment		505 605	70 753
Exploration and development assets		116 643	18 315
Investment in associate		46 834	5 135
Fair value through other comprehensive income investments		1 178	178
Loans and receivables	10	2 000	-
Deferred tax assets		31 88	7 291
Total non-current assets		**675 448**	**101 672**
Current assets			
Inventories	6	263 953	40 411
Trade and other receivables		80 122	19 896
Loans and receivables	10	8	8
Cash and cash equivalents		21 989	117
Total current assets		**366 072**	**60 432**
Total assets		**1 041 520**	**162 104**
EQUITY & LIABILITIES			
Shareholders' equity			
Share capital		1 345	1 345
Share premium		20 789	20 789
Fair value through other comprehensive income reserve		146	146
Foreign currency translation reserve		553 154	-
Accumulated profits/(losses)		27 018	(11 319)
Equity attributable to equity holders of the parent		**602 452**	**10 961**
Non-controlling interests		(892)	(731)
Total equity		**601 560**	**10 230**
Non-current liabilities			
Cumulative redeemable preference shares	8	33 434	33 434
Interest bearing loans and borrowings	9	5 250	6 396
Other Payables	7	200 312	30 259
Fixed term payables		-	7 900
Provisions		19 218	2 765
Deferred tax liabilities		14 687	1 850
Employee benefit liability		6 269	947
Total non-current liabilities		**279 170**	**83 551**
Current liabilities			
Trade and other payables	7	118 018	45 595
Fixed term payables		-	996
Interest-bearing loans and borrowings	9	42 772	21 732
Total current liabilities		**160 790**	**68 323**
Total liabilities		**439 960**	**151 874**
Total equity and liabilities		**1 041 520**	**162 104**

Interim Condensed Consolidated Statement Of Changes In Equity
for the six months ended 30 June 2019

	ATTRIBUTABLE TO EQUITY HOLDERS' OF THE PARENT							
	Share capital ZWL$000	Share premium ZWL$000	Fair value through other comprehensive income reserve ZWL$000	Foreign currency translation reserve ZWL$000	Accumulated profits ZWL$000	Total shareholders equity ZWL$000	Non-controlling interests ZWL$000	Total equity ZWL$000
Balance as at 1 January 2019 (audited)	1 345	20 789	146	-	(11 319)	10 961	(731)	10 230
Profit for the period	-	-	-	-	38 337	38 337	(161)	38 176
Other comprehensive income net of tax	-	-	-	553 154	-	553 154	-	553 154
Balance as at 30 June 2019 (reviewed)	1 345	20 789	146	553 154	27 018	602 452	(892)	601 560

Interim Condensed Consolidated Statement Of Cash Flows
for the six months ended 30 June 2019

	30 June 2019 Reviewed ZWL$000	30 June 2018 Reviewed ZWL$000
Net cash flows generated from operating activities	19 807	9 424
Cashflows from investing activities		
Acquisition of property, plant and equipment	(6 421)	(4 231)
Investment in exploration and evaluation assets	(1 906)	(2 492)
Proceeds from disposal of available for sale investments	-	40
Proceeds from disposal of property,plant and equipment	-	95
Net cash used in investing activities	(8 327)	(6 588)
Cash flows from financing activities		
Inflows from borrowings	1 435	1 100
Repayment of borrowings	(2 520)	(3 564)
Interest paid	(455)	(901)
Net cash used in financing activities	(1 540)	(3 365)
Net increase/(decrease) in cash and cash equivalents for the period	9 940	(529)
Unrealised exchange gains on foreign currency cash balances	11 932	-
Cash and cash equivalents at beginning of the period at 1 Jan	117	1 275
Cash and cash equivalents at end of the period	21 989	746

Notes To The Interim Condensed Consolidated Financial Statements
for the six months ended 30 June 2019

1. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard (IAS) IAS 34: Interim Financial Reporting. The interim condensed consolidated financial statements are based on records that are maintained under the historical cost convention as modified by the measurement of certain financial assets at fair value.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2018.

2. Significant accounting judgements, estimates and assumptions

When preparing the interim condensed consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates and assumptions applied in the interim condensed consolidated financial statements, including the key sources of estimation thereof, were the same as those applied in the Group's annual financial statements for the year ended 31 December 2018.

3. Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective as of 1 January 2019 and change in accounting policy on presentation currency detailed below.

Presentation currency

The Government introduced SI 142 of 2019 on the 24th of June 2019 which prescribed the exclusive use of the Zimbabwean Dollar on domestic transactions. In this regard, the Company adopted the Zimbabwean Dollar for all its domestic transactions. At the reporting date, 30 June 2019, the Group elected to change its reporting currency to Zimbabwean Dollar (ZWL$) after considering that all of the Company's operations are in Zimbabwe and Zimbabwean Dollar is the only legal currency in the country in which the Group operates. The change in accounting policy on presentation currency was accounted for using the full retrospective method.

During the period the Government also promulgated SI 33 of 2019 in February 2019 which introduced the Zimbabwean Dollar, and prescribed that for accounting and other purposes all assets and liabilities that were previously denominated in US Dollar were to be converted into Zimbabwean Dollar at a parity exchange rate of USD 1: ZWL$ 1. SI 33 of 2019 also introduced the interbank market which determines the exchange rates between foreign currencies and the Zimbabwean Dollar. In converting transactions and balances denominated in the foreign currencies to the presentation currency the Zimbabwean Dollar, the Company used the interbank exchange rates. This was however in contravention with the requirements of IAS 21 "The effects of changes in foreign exchange rates", which prescribes that market exchange rates should be used. The interbank exchange rate did not meet the definition of a market exchange rate in terms of the requirements of IAS21. The interbank exchange rates however, were the only observable and legal exchange rates available in the country.

Furthermore, the Group converted its comparative period information from US Dollar to the presentation currency Zimbabwean Dollar at an exchange rate of USD 1 : ZWL$ 1 using SI 33 of 2019. Therefore, there was no impact on the prior period amounts presented other than the change in denomination of the amounts from US Dollar to Zimbabwean Dollar. This conversion at an exchange rate of 1:1 has created distortions in the comparability of the current period information and prior period information which have been presented

	30 June 2019 Reviewed ZWL$000	31 Dec 2018 Audited ZWL$000
4. Number of shares in issue ('000)	122 030	122 030
5. Capital expenditure		
Acquisation of assets		
to maintain capacity	11 744	4 118
to increase capacity	3 636	8 645
Commitment for capital expenditure		
contracts and orders placed	53 172	1 843
authorised by Directors but not contracted	170 617	33 928
	223 789	**35 771**
The capital expenditure is to be financed out of the Group's own resources and borrowings where necessary.		
6. Inventories		
Stores and consumables	49 287	6 818
Ore stockpiles	2 145	1 063
Metals and minerals in concentrates and circuit	210 530	32 155
Finished metals	1 991	375
	263 953	**40 411**
7. Trade and other payables		
Current		
Trade payables	29 935	24 492
Accruals	5 704	1 702
Leave pay liabilities	4 001	2 620
Other payables	78 378	16 781
	118 018	**45 595**
Non-current		
*Other payables	200 312	30 259

* Non-current Other payables relate to BCL Limited (in liquidation) liability which is under litigation which has been outstanding since 2016. The legal matter is not expected to be settled in the next 12 months from the reporting date, 30 June 2019. Therefore, the amount owing of ZWL$200 312 has been classified under non-current.

Notes To The Interim Condensed Consolidated Financial Statements (cont.)
for the six months ended 30 June 2019

	30 June 2019 Reviewed ZWL$000	31 Dec 2018 Audited ZWL$000
8. Cumulative Redeemable Preference Shares		
Cumulative Redeemable Preference Shares	33 434	33 434

The cumulative redeemable preference shares were issued to Zimbabwe Asset Management Corporation (Private) Limited (ZAMCO) on 22 January 2016. The preference shares are unsecured, non-voting and non-tradable, entitle the holder thereof to receive a fixed dividend of 9% per annum which dividend shall be payable on a bi-annual basis and are redeemable by the Company in part or in whole, at cost, on or before the fifth anniversary of the issue date or not more than 180 days from the fifth anniversary of the issue date.

Dividend paid in 2019 was ZWL$Nil (June 2018: ZWL$500 000) and ZWL$5 661 000 (Dec 2018: ZWL$ 5 324 000) was due and payable at period end.

The cumulative redeemable preference shares are carried at amortised cost.

9. Interest bearing loans and borrowings

	Effective interest rate	Maturity Date	30 June 2019 Reviewed ZWL$000	31 Dec 2018 Audited ZWL$000
Current				
Bank loans				
(facility limit US$1.0m)	8.5%	On scheduled dates	5 428	5 885
Other bank loans	15.0%	On demand	7 004	6 673
Term loans				
(facility limit US$0.15m)	12.0%	On demand	986	141
Debentures				
(facility limit US$0.29m)	13.0%	March 2017	-	186
Interest on cumulative redeemable preference shares		December 2018	5 661	5 324
Short term loan				
(Centametal AG)	12.5%	December 2019	23 693	3 523
			42 772	**21 732**
Non Current				
Bank loans	8.5%	On scheduled dates	5 250	6 396
			5 250	**6 396**

Security
Bank loans are secured by revenue assignment agreements in respect of gold proceeds as well as a mortgage bond over an immovable property.

All other interest bearing loans and borrowings are unsecured.

10. Loans and Receivables

	ZWL$000
Current	
At 1 January 2019	8
Acquisitions	-
Disposals	-
At 30 June 2019	8
Non-current	
At 1 January 2019	-
Acquisitions	22 000
Disposals	(20 000)
At 30 June 2019	2 000

Loans and receivables comprise of treasury bills. The Company purchased treasury bills from its associate, Murowa Diamonds (Pvt) Limited with a face value of ZWL$22million, coupon 5% per annum and maturity April 2022. During the period the Group settled some of its creditors using the treasury bills with a face value of ZWL$20million leaving a balance of ZWL$2million which the Group is holding.

11. Dividends

No dividends were declared or paid out in the first half of 2019.

12. Events after reporting period

On the 24th of June 2019, the Government promulgated SI 142 of 2019 which put to an end the multi-currency system and proclaimed the Zimbabwean Dollar as the sole legal tender for all domestic transactions. Subsequent to the reporting date, the Government further introduced S1 212 of 2019 in September 2019 which cemented the exclusive use of the Zimbabwean Dollar for domestic transactions and criminalised any such use of the other currencies other than the Zimbabwean Dollar. The Government also introduced SI 213 of 2019 which introduced penalties for any failure to comply with SI 212 of 2019. These were material events that may have fundamental changes to the economic and operating environment in which the Group operates and hence may create the need to assess if there was a change in the Group's functional currency using the provisions of IAS21 "The effects of changes in foreign exchange rates".

The determination of the Group's functional currency in light of these policy changes requires significant judgement. As at the reporting date 30 June 2019, the Group determined its functional remained US Dollar. The Group will however, further reassess the impact of SI 142, SI 212 and SI 213 of 2019 and any other events that may happen subsequent to the reporting date at year end 31 December 2019 to determine if there is a change in the Group's functional currency.

Subsequent to the reporting date, the Public Accountants and Auditors Board (PAAB) issued a pronouncement that factors and characteristics for the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" in Zimbabwe were met and therefore IAS 29 should be applied in the preparation and presentation of financial statements of entities in Zimbabwe with effect from 1 July 2019. The Group will assess the impact of IAS 29 on its financial statements from third quarter ending 30 September 2019.

13. Going concern

The Directors believe that the Group will continue to operate as a going concern and preparation of the financial statements on a going concern basis is still appropriate. This basis assumes that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

Auditor's review and conclusion

These abridged financial statements have been reviewed by Ernst & Young Chartered Accountants (Zimbabwe) and an adverse review conclusion issued thereon due to non-compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates". The reviewer's report is available for inspection at the Croup's registered office. The engagement partner for the review is Mr Walter Mupanguri (PAAB Registration Number 220).

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RioZim Limited

REVIEWED GROUP INTERIM FINANCIAL RESULTS

For the half year ended 30 June 2019

Directors: S R Beebeejaun (Chairman), C Dengu (Vice Chairman), *B Nkomo (Chief Executive Officer), J M Chikura, G K Jain, K Matsheza, M T Sachak, I M Sharma, *M M Shah *(Executive)

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Independent Practitioner's Report

To the Members of RioZim Limited

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of RioZim Limited as set out on pages 10 to 35 that comprise the interim condensed consolidated statement of financial position as at 30 June 2019, the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six month period then ended, the notes to the consolidated and separate financial statements which include a summary of significant accounting policies and other explanatory information.

Directors responsibility

The Group Directors are responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRS) IAS 34: *Interim Financial Reporting* and in the manner required by the Companies Act (Chapter 24:03).

Auditor's responsibility

Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse Conclusion

Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates

Impact of prior year adverse opinion on current year

As explained in Note 4 to the interim financial information, the functional currency applied by management is the United States Dollar (USD), this is consistent with prior year.

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. Finally, 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 (which comprises RTGS$, Bond notes and Bond Coins) was the sole legal tender effective 24 June 2019.

These events triggered the need for reporting entities to assess whether there was a change in functional currency (from US$ to RTGS$) and to determine an appropriate spot rate as required by IAS 21.

Based on International Financial Reporting Standards IAS 21-The Effects of Changes in Foreign Exchange Rates ("IAS 21") the functional currency of an entity is the currency of the primary economic environment in which the entity operates and reflects the underlying transactions, events and conditions that are relevant to it. In addition, paragraph 2.12 of the Conceptual Framework for Financial Reporting ("the Conceptual Framework") prescribes that for financial information to be useful, it "must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon."

We agree with the Directors assessment that the functional currency of the Group continues to be the USD. We however believe that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 ZWL/RTGS$:US$ exchange rate and this occurred effective 1 October 2018. This impacts the basis for measuring transactions that occurred between 01 October 2018 and 31 December 2018, the valuation of assets and liabilities as well as the accounting for foreign exchange differences.

Impact of modified opinion from prior period on current period (IAS 21) due to prospective correction of error not in conformance with International Financial Reporting Standards IAS 8:

We issued an adverse audit report on the consolidated and separate statements of financial position, statements of cash flows and statements of comprehensive income for the year ended 31 December 2018 due to the matter described above. Our specific modifications were in respect of the following:

- A rate of USD1: ZWL/RTGS1 was applied between 1 October 2018 to 31 December 2018 instead of a market rate.

Management could not restate the opening balances at an appropriate exchange rate to resolve the matters which resulted in the adverse audit report and consequently,

- Transactions on the statement of profit or loss and movements in the current year are materially misstated as the opening balances are materially misstated.
- The comparative amounts (corresponding numbers) have not been restated and they are materially misstated and thus impact the comparability of the current year numbers.

Because of the matter not being retrospectively adjusted for as a prior period error in terms of International Financial Reporting Standards - IAS 8, the opening balances and corresponding performance and cash flows remain misstated.

The opening balances enter the determination of the results of operations and cash flows in the current year and in addition had an appropriate exchange rate been applied by management, the performance and cash flows for the period 1 January to 30 June 2019 included in the attached consolidated and separate financial statements, would have been materially different.

The effects of the departure from IFRS are pervasive to the cash flows and performance stated in the consolidated and separate financial statements and have not been quantified owing to the nature of the matter.

Our conclusion on the current period's consolidated and separate financial statements is also modified because off the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures.

Additional Impact of incorrect application of IAS 21 in current period:
The Directors however voluntarily changed the presentation currency in line with IAS 8 and IAS 21 provisions to Zimbabwe Dollar (ZWL) effective 1 January 2019.

Exchange rates

The interim financial information of Group includes balances and transactions denominated in ZWL that were converted to US$ at a ZWL:US$ exchange rate that does not reflect the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). In addition, and further contributing to our disagreement with exchange rates applied, all ZWL based transactions that occurred between 1 January 2019 and 30 June 2019 as well as foreign denominated balances at half year end were translated using the interbank rate. Furthermore at reporting date the financial statements were translated from the functional currency USD to the reporting currency ZWL at the interbank rate. The interbank rate does not meet the definition of a spot exchange rate as per IFRS

According to IAS 21, *at the end of each reporting period; (a)foreign currency monetary items shall be translated using the closing rate; (b)non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and (c)non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. According to paragraph 8 of IAS 21, the closing rate is defined as a) spot exchange rate at the end of the reporting period, and b) Spot exchange rate is the exchange rate for immediate delivery.*

The effects of the above departures from IFRS are pervasive to the consolidated financial statements and have not been fully quantified.

Adverse Conclusion

Based on our review, due to the significance of the matters discussed in the Basis for Adverse Conclusion paragraph, the interim financial information does not present fairly the consolidated and separate financial position of RioZim Limited as at 30 June 2019, and their consolidated and separate financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.

The engagement partner on the review resulting in this independent review conclusion is Walter Mupanguri (PAAB Registration Number 220).

Ernst & Young

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

Harare

04 November 2019