audited group year end results

For the year ended 30 September **2019**

ART
AMALGAMATED REGIONAL TRADING

VOLUMES

- Overall – down 18%
- Export – up 5%
- Solar and Industrial batteries – up 12%
- Hygiene – up 8%

REVENUE

- Restated – up 26%
- Historical – up 181%

OPERATING PROFIT

- Restated – up 149%
- Historical – up 549%

EBITDA

- Restated – up 486%
- Historical – up 1 465%

FOREX

- Exposure – down 50%

group statement of profit or loss and other comprehensive income

For the year ended	HYPER INFLATED 30 September 2019 ZWL$ 000	HYPER INFLATED 30 September 2018 ZWL$ 000	HISTORICAL 30 September 2019 ZWL$ 000	HISTORICAL 30 September 2018 ZWL$ 000
Revenue from contracts with customers	**267 331**	**212 435**	**131 832**	**46 864**
Cost of sales	(129 300)	(129 939)	(43 328)	(28 665)
Gross profit	**138 031**	**82 496**	**88 504**	**18 199**
Other income	4 614	3 826	2 836	844
Selling and distribution expenses	(14 127)	(12 470)	(8 018)	(2 751)
Administration expenses	(46 213)	(40 856)	(36 115)	(9 013)
Total Operating expenses	**(60 340)**	**(53 326)**	**(44 133)**	**(11 764)**
Operating profit before fair value adjustments and impairments	**82 305**	**32 996**	**47 207**	**7 279**
Share of profit- Joint venture and associate	8 338	1 922	3 382	424
Fair value adjustments on biological assets	63 353	898	79 857	198
Fair value adjustment on investment property	64 786	2 078	78 250	458
Exchange loss	(21 982)	(7 260)	(35 038)	-
Net monetary gain	15 390	-	-	-
Operating Profit before interest and tax	**212 190**	**30 634**	**173 658**	**8 359**
Finance income	83	3	74	1
Finance costs	(7 208)	(4 618)	(4 055)	(1 019)
Profit before tax	**205 065**	**26 019**	**169 677**	**7 341**
Income tax expense	(104 818)	(1 397)	(109 952)	(815)
Profit after tax	**100 247**	**24 622**	**59 725**	**6 526**
OTHER COMPREHENSIVE INCOME				
Items that may not be reclassified subsequently to profit or loss:				
Surplus/(Loss) on revaluation of property plant and equipment	156 740	6 624	174 633	372
Items that may be reclassified subsequently to profit or loss:				
Translation of foreign subsidiaries	5 126	(462)	5 126	(102)
Fair value adjustments on available for sale investments	-	(45)	-	(10)
Total comprehensive income for the year net of tax	**161 866**	**6 117**	**179 759**	**260**
Attributable Earnings	**262 113**	**30 739**	**239 484**	**6 786**
Earnings per share (cents)				
Basic	21.20	5.21	12.71	1.40
Diluted	21.20	5.21	12.71	1.40
Headline	1.08	4.62	(20.81)	1.40

group statement of financial position

As at	HYPER INFLATED 30 September 2019 ZWL$ 000	HYPER INFLATED 30 September 2018 ZWL$ 000	HISTORICAL 30 September 2019 ZWL$ 000	HISTORICAL 30 September 2018 ZWL$ 000
ASSETS				
Non-current assets				
Property plant and equipment	285 717	69 562	259 263	15 347
Investment Property	82 057	17 271	82 057	3 810
Biological assets	84 756	20 677	84 756	4 561
Investment in joint venture and associate	13 559	5 308	5 212	1 171
Other investments	-	322	-	71
Total non-current assets	**466 089**	**113 140**	**431 288**	**24 960**
Current assets				
Inventories	104 159	30 145	49 238	6 650
Trade and other receivables	48 909	24 816	26 259	5 474
Cash and cash equivalence	6 691	8 793	6 691	1 940
Total Current Assets	**159 759**	**63 754**	**82 188**	**14 064**
TOTAL ASSETS	**625 848**	**176 894**	**513 476**	**39 024**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	213	213	47	47
Share premium	19 844	19 844	4 378	4 378
Reserves	331 637	71 939	255 354	15 870
Shareholders' equity	**351 694**	**91 996**	**259 779**	**20 295**
Non-current liabilities				
Deferred tax liabilities	145 057	10 562	150 044	2 331
Interest bearing loans and borrowings	771	17 105	771	3 773
Total non-current liabilities	**145 828**	**27 667**	**150 815**	**6 104**
Current liabilities				
Trade and other payables	78 272	39 241	57 640	8 656
Provisions	2 247	1 160	1 421	256
Income tax payable	24 812	4 339	20 883	957
Interest bearing loans and borrowings	16 730	10 129	16 673	2 235
Bank overdrafts	6 265	2 362	6 265	521
Total current liabilities	**128 326**	**57 231**	**102 882**	**12 625**
Total liabilities	**274 154**	**84 898**	**253 697**	**18 729**
TOTAL EQUITY AND LIABILITIES	**625 848**	**176 894**	**513 476**	**39 024**

group statement of cashflow

For the year ended	HYPER INFLATED 30 September 2019 ZWL$ 000	HYPER INFLATED 30 September 2018 ZWL$ 000	HISTORICAL 30 September 2019 ZWL$ 000	HISTORICAL 30 September 2018 ZWL$ 000
Cash generated from operations	23 516	18 831	11 505	5 233
Finance income	83	3	74	1
Finance costs	(5 563)	(4 618)	(2 408)	(1 018)
Tax paid	(884)	(1 301)	(1 153)	(287)
Cash generated from operating activities	**17 152**	**12 915**	**8 018**	**3 929**
Cash flow from investing activities:				
Purchase of property plant and equipment	(8 246)	(9 837)	(5 132)	(2 170)
Costs capitalized to biological assets	(4 423)	(5 770)	(2 153)	(717)
Proceeds on disposal of property plant and equipment	87	555	64	122
Dividends received	87	276	87	61
Cash utilized in investing activities	**(12 495)**	**(14 776)**	**(7 134)**	**(2 704)**
Cash utilized in financing activities:				
Proceeds from borrowings	7 738	16 574	11 813	1 657
Repayment of borrowings	(18 400)	(8 911)	(13 690)	(1 966)
Cash (used)/generated from financing activities	**(10 662)**	**7 663**	**(1 877)**	**(309)**
(Decrease)/increase in cash and cash equivalents	(6 005)	5 802	(993)	916
Net foreign exchange differences	-	162	-	36
Cash and cash equivalents at the beginning of the period	**6 431**	**467**	**1 419**	**467**
Cash and cash equivalents at the end of the period	**426**	**6 431**	**426**	**1 419**
Comprising:				
Cash resources	6 691	8 793	6 691	1 940
Overdrafts	(6 265)	(2 362)	(6 265)	(521)
Cash and cash equivalents at the end of the period	**426**	**6 431**	**426**	**1 419**

Directors: Dr T. U. Wushe (Chairman) M. Macheka (Chief Executive Officer)* A. M. Chingwecha* Y.C Baik O. Mtasa M. Oakley * Executive

audited group year end results

For the year ended 30 September **2019**

group statement of changes in equity

For the year ended 30 September 2019

	Share Capital ZWL$000	Share Premium ZWL$000	Available for Sale ZWL$000	Revaluation ZWL$000	Share Share Option ZWL$000	Foreign Currency Translation ZWL$000	Retained Earnings ZWL$000	Total ZWL$000
INFLATION ADJUSTED								
At 30 September 2017	**213**	**19 844**	**367**	**40 461**	**163**	**2 824**	**(2 615)**	**61 257**
Profit for the year	-	-	-	-			24 622	24 622
Other comprehensive income/(Loss)	-	-	(45)	6 624	-	(462)	-	6 117
Elimination of reserves - IAAS29	-	-	-	(46 868)	-	-	46 868	-
At 30 September 2018	**213**	**19 844**	**322**	**217**	**163**	**2 362**	**68 875**	**91 996**
Effects of adopting IFRS 9	-	-	-	-	-	-	(2 415)	(2 415)
Restated opening balances	**213**	**19 844**	**322**	**217**	**163**	**2 362**	**66 460**	**89 581**
Profit for the year	-	-	-	-	-	-	100 247	100 247
Other comprehensive income	-	-	-	156 740	-	5 126	-	161 866
Transfer between reserves	-	-	(322)	-	-	-	322	-
At 30 September2019	**213**	**19 844**	**-**	**156 957**	**163**	**7 488**	**167 029**	**351 694**
HISTORICAL								
At 30 September 2017	**47**	**4 378**	**81**	**8 921**	**36**	**623**	**(577)**	**13 509**
Profit for the year	-	-	-				6 526	6 526
Other comprehensive income/(Loss)	-	-	(10)	372	-	(102)	-	260
Transfer between reserves	-	-	-	-	-	-	-	-
At 30 September 2018	**47**	**4 378**	**71**	**9 293**	**36**	**521**	**5 949**	**20 295**
Profit for the year	-	-	-	-	-	-	59 725	59 725
Other comprehensive income	-	-	-	174 633	-	5 126	-	179 759
Transfer between reserves	-	-	(71)	-	-	-	71	-
At 30 September 2019	**47**	**4 378**	**-**	**183 926**	**36**	**5 647**	**65 745**	**259 779**

group segment results

INFLATION ADJUSTED	Paper ZWL$000	Batteries ZWL$000	Plantations ZWL$000	Stationery ZWL$000	Central Administration ZWL$000	Adjustments & Eliminations ZWL$000	Group ZWL$000
Sept 19							
Revenue:							
External customer	49 238	228 952	10 958	37 200	-	(59 017)	267 331
Operating	8 599	63 491	3 975	407	5 833	-	-
Finance costs	(3)	(798)	-	(225)	(6 182)	-	(7 208)
Segment Assets	121 952	243 216	221 218	31 786	7 676	-	625 848
Capital expenditure	3 216	3 674	712	228	415	-	8 246
Depreciation	209	4 382	363	736	345	32	6 068
Sept 18							
Revenue:							
External customer	29 394	225 940	9 505	28 361	-	(80 799)	212 435
Operating	3 327	29 811	(177)	3 685	412	(4 063)	
Finance costs	(100)	(1 757)	(14)	(50)	(2 697)	-	(4 618)
Segment Assets	21 970	74 988	42 761	19 173	3 785	14 217	176 894
Capital expenditure	802	4 410	508	3 418	699	-	9 837
Depreciation	893	4 197	286	907	222	104	6 609

supplementary information

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards "IFRS" except for non-compliance with IAS 21 "Effects of Changes in Foregn Exchange Rates", and in a manner required by the Zimbabwe Companies Act (Chapter 24:03), British Virgin Islands Companies Act for International Business Companies (Chapter 291) and the Zimbabwe Stock Exchange (ZSE) Listing requirements. The Group, in compliance with Statutory Instrument 33 of 2019 maintained the 1:1 fixed exchange rate between its functional currency USD and ZWL$ for the period 1 October 2018 to 23 February 2019 and thereafter adopted the interbank exchange rates. The requirement to comply with Statutory Instrument 33 of 2019, made full compliance with "IFRS" in particular IAS 21 – "Effects of Changes In Foreign Exchange Rates" not possible.

The Group adopted IAS 29 – "Financial Reporting in Hyper -Inflationary Economies" effective 1 October 2018 as proclaimed by the local accounting regulatory board, Public Accountants and Auditors Board "PAAB". The consolidated financial statements have now been prepared under the current cost basis as per the provisions of IAS 29.

2. Functional and presentation currency

These financial statements are presented in Zimbabwe Dollars (ZWL) which is the Group functional and presentation currency and all values are rounded to the nearest thousand ($000) except when otherwise indicated.

The Group has been using the United States Dollar as its functional and reporting currency since 2009. In 2016 the monetary authorities introduced the Bond note which was at par with the US$. On the 1st of October 2018 an Exchange Control Directive RT120/2018 was promulgated directing all banks to separate domestic and Nostro currency accounts. On the 22nd of February 2019 Statutory Instrument 32 of 2019 was issued as an amendment to the Reserve Bank of Zimbabwe Act and it introduced a new currency called the RTGS Dollar. Another Exchange Control Directive RU 28 of 2019 was issued at the same time and it introduced an interbank market for the RTGS Dollar and the USD as well as other currencies in the multi-currency regime. On June 24 2019 the government gazetted Statutory Instrument 142 of 2019 which outlawed the use of multi-currencies and compelled that all transactions be done in local currency (ZWL$). The Group followed the legal instruments and changed the functional currency on the 22nd of February 2019. The requirement to comply with Statutory Instrument 33(S133) of 2019 created inconsistencies with IAS 21 as well as the principles embedded in the IFRS Conceptual Framework (see guidance issued by the Public Accountants and Auditors Board on 21 March 2019). This has resulted in the adoption of accounting treatment in the current year's Group's financial statements which is at variance from that which would have been applied if the Group had been able to fully comply with IFRS. The Group adopted the exchange rate of 1:1 between the USD and ZWL for the period 1 October 2018 to 23 February 2019 and thereafter adopted the interbank exchange rates.

3. Adoption of IFRS 9

The Group prospectively adopted IFRS 9 on 1 October 2018 as a replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduced new requirements which include the classification and measurement of financial instruments and expected credit loss (ECL) models. (As permitted by IFRS 9 the Group elected not to restate its comparative financial statements. Consequently comparative information is reported on an IAS 39 basis and is not fully comparable to prior year information. Under IFRS 9 the provision has been calculated using the expected credit loss model compared to the incurred loss model under IAS 39.)

4. IFRS15 Revenue from contracts with customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 superseded the previous revenue recognition guidance including IAS 18 Revenue IAS 11 Construction contracts and the related interpretations when it became effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group adopted IFRS 15 using the modified retrospective approach in the current financial. The initial adoption of IFRS 15 did not result in changes to the manner in which the Group accounts for revenue and its contracts with customers.

5. Statement of accounting policy

The accounting policies adopted are consistent with those of the previous financial year except on property , plant and equipment. On 1 October 2018 the Group elected to account for the motor vehicles and plant and machinery under the revaluation model, a change from the cost model that had been previously adopted. The following classes are now accounted under the revaluation model; land and buildings, motor vehicles and plant and machinery.

6. Borrowings – Inflation Adjusted

	30 September 2019			**30 September 2018**		
ZWL000's	Short- term and Overdraft	Long-term	Total	Short-term and Overdraft	Long-term	Total
Group	22 995	771	**23 766**	12 491	17 105	**29 596**

The average cost of borrowings is 28%. The Borrowings are secured by non-current assets with a net book value of ZWL$95.7million (2018: ZWL$37.8million).

7. Lease commitments - Inflation Adjusted

	September 2019		September 2018	
	Minimum payments ZWL$000	Minimum payments ZWL$000	Minimum payments ZWL$000	Present value of payments ZWL$000
Within one year	254	191	1 564	1 364
After one year but not later than five years	190	143	1 745	1 419
More than five years	-	-	-	-
Total minimum lease payments	444	334	3 309	**2 783**
Less amounts representing finance charges	(110)	-	(526)	-
Present value of minimum lease payments	334	334	2 783	2 783

8. Events after the reporting date

There was a fire outbreak at the Mutare Board and Paper Mill estates on the 1st of October 2019 and the resultant net fire damage was $10 550.

The Finance Minister in his budget speech on the 14th of November 2019 proposed a reduction in the corporate tax rate from 25% to 24%. This will effectively reduce the total tax rate from 25,75% to 24,72% for the period. This is a non-adjusting event. The potential impact for the financial year ended 30 September 2019 is a reduction in the deferred tax liability.

9. AUDITOR'S STATEMENT

The consolidated financial statements from which this abridged version has been extracted have been audited by Ernst & Young Chartered Accountants (Zimbabwe). The independent auditors have issued an adverse opinion on the financial statements, because of non-compliance with International Financial Reporting Standards "IFRS". The auditor's report on these financial results is available for inspection at the Group's registered office.

chairman's statement

OVERVIEW

The country's economic challenges continued during the year ended 30 September 2019. Currency reforms embarked on by the fiscal and monetary authorities culminated in the introduction of the Zimbabwe dollar in June 2019. Foreign currency shortages continued with the local currency depreciating from the fixed exchange rate of 1:1 to the United States Dollar to 1:15 at the close of the period. The Group remained resilient and maintained a positive performance across all its business units.

REPORTING CURRENCY AND COMPLIANCE WITH IFRS

There was a change in the transactional and functional currency following the re-introduction of the local currency. The Group's financial statements are presented in Zimbabwe Dollars (ZWL) for the current year. The 2018 comparative numbers were converted into Zimbabwe Dollars (ZWL) at a rate of 1:1 in compliance with Statutory Instrument 33 of 2019 and then adjusted for inflation. The requirement to comply with the legislation presented challenges in terms of compliance with International Financial Reporting Standards due to the inconsistencies of Statutory Instrument 33 of 2019 with IAS 21 "The effects of changes in Foreign Exchange Rates".

The Group's Consolidated Financial Statements have not in all material respects been prepared in compliance with the requirements of IAS21. The reporting period was characterized by multiple exchange rates and therefore the Board advises users to exercise caution in the interpretation of these financial statements.

FINANCIAL REVIEW

The continued shortage of foreign currency and the persisting liquidity constraints affected the Group's trading, resulting in overall volumes reducing by 18% on average across the business units. Revenue increased to $267 million due to price increases effected in response to the increased cost of production.

Export volumes for batteries and paper increased by 4% and 7% respectively on the back of consistent product availability and increased selling effort in Zambia and Malawi. Volumes for solar and industrial batteries increased by 12% from prior year as opportunities in the local market could not be fully exploited due to product supply gaps.

The Softex drive to expand its product range yielded positive results as hygiene volumes increased by 8% from prior year.

Included in income is ZWL$157 million relating to the revaluation of assets in an attempt by the Group to fairly present the Statement of Financial position.

The Group's foreign currency exposure reduced significantly from US$4 million as at half year to US$2 million as at 30 September 2019. Net Borrowings at ZWL$23.767 million were contained as increased cash sales and concerted collection effort on receivables enabled the Group to minimize pressure on cash resources. Capital expenditure for the year was restrained to ZWL$8.2 million with focus being on critical projects and improvements.

SUSTAINABILITY REPORTING

ART Holdings Limited is pleased to present the first annual report covering our sustainability performance. The Group has taken a bold step to align operations against the rising expectations by regulators and other strategic stakeholders to operate sustainably. We understand the limitations of our planet and how our operations if not managed can threaten our ability to operate in the long term. This understanding has led us to adopt sustainability as a strategic tool to manage the stakeholder issues that affect our capacity to create value. We have adopted the Global Reporting Initiative (GRI) Standards to help us identify opportunities and manage our environmental social and economic impacts.

DIVIDEND

The Group is not in a position to declare a dividend as the Board in light of the prevailing liquidity constraints is focusing on clearing foreign creditors and key capital projects.

DIRECTORATE

There were no changes to the Board during the period.

OUTLOOK

The challenges in the economic environment are expected to persist in the short term as inflation and foreign currency volatility will constrain trading.

The Group will continue to defend its market share whilst exploiting new export markets and opportunities existing in the hygiene, solar and industrial battery segments. Operational efficiencies will be enhanced to ensure that costs are contained and our customers continue to receive quality products and superior service.

APPRECIATION

I would like to express my sincere gratitude to our customers, suppliers, bankers and other key stakeholders my fellow directors management and the entire team at ART for the continued contribution and support during the period under review.

T U Wushe
CHAIRMAN
17 December 2019

Directors: Dr T. U. Wushe (Chairman) M. Macheka (Chief Executive Officer)* A. M. Chingwecha* Y.C Baik O. Mtasa M. Oakley * Executive

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way
Kwame Nkrumah Avenue
P.O. Box 62 or 702
Harare
Zimbabwe

Tel: +263 4 750905 -14 or 750979-83
Fax: +263 4 750707 or 773842
Email: admin@zw.ey.com
www.ey.com

Independent Auditor's Report

To the Shareholders of Amalgamated Regional Trading Holdings Limited

Report on the Audit of the Consolidated Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of Amalgamated Regional Trading Holdings Limited (the Group), as set out on pages 56 to 131, which comprise the consolidated statement of financial position as at 30 September 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements do not present fairly the financial position of the Group as at 30 September 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Date of change in functional currency - Non-compliance with IAS 21 and resultant inconsistency with IAS 29

As explained in note 2 to the consolidated financial statements, the Group applied the United States Dollar (US$) as its functional currency for the period 1 October 2018 to 22 February 2019 and the Real Time Gross Settlement Dollars (RTGS$) and Zimbabwe Dollars (ZWL) for the period 23 February 2019 to 30 September 2019. In order to comply with Statutory Instrument 33 of 2019, issued on 22 February 2019, the Group changed its functional currency with effect from this date. We however believe that the change in currency occurred prior to that date. The consolidated financial statements are presented in ZWL.

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

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

INDEPENDENT AUDITOR'S REPORT

Based on International Accounting Standard 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 believe that events in the market and subsequent promulgation of the ZWL as a formal currency supports that there was a change in functional currency from US$ to ZWL and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 ZWL: US$ exchange rate and this occurred effective 1 October 2018. This impacts the basis for measuring transactions that occurred between 1 October 2018 and 22 February 2019,

Accordingly, the consolidated financial statements of the Group include balances and transactions denominated in US$ that were not converted to ZWL at a ZWL: US$ exchange rate that reflects the economic substance of its value as required by IFRS. The directors have provided more information on their approach in Note 2X to the consolidated financial statements.

Notwithstanding that IAS 29 has been applied from 1 October 2018 to 30 September 2019 correctly, it is noted that this is inconsistent with the incorrect assertion by management that the change in functional currency date is 22 February 2019 as described above.

<u>Exchange rates (Non-compliance with IAS 21)</u>
For the period 1 October 2018 to 22 February 2019 the financial statements of the Group included balances and transactions denominated in USD that were not converted to ZWL at an exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). This is because Management applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2019, 20th of February 2019 and 1st of October 2018. We believe that transactions in the market indicated a different rate between the two currencies throughout this period despite the legal 1:1 ZWL: US$ exchange rate.

On the 23rd of February 2019, being the date of change in functional currency for the Group, management translated some balances using an exchange rate of 1ZWL:1US$ and others using the interbank rate of 2.5ZWL:1US$. Subsequently the Group applied relevant interbank rates up to 30 September 2019 for foreign denominated transactions, monetary assets, monetary liabilities, investment property and property, plant and equipment.

The exchange rates used did not meet the criteria for appropriate exchange rates in terms of IFRS as defined below:

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.*

In light of the definitions above, the IFRS interpretations Committee concluded in their September 2018 paper that the closing rate is the rate to which an entity would have access at the end of the reporting period through a legal exchange mechanism.

INDEPENDENT AUDITOR'S REPORT

We therefore believe that the exchange rates for transactions and balances between the US$ and the RTGS$/ZWL used by the Group (1:1) for the period 1 October 2018 to 22 February 2019, 1:2,5 for the translation to functional currency on 22 February 2019 of monetary assets and liabilities and 1:15,1653 for all monetary assets and liabilities and non-monetary assets namely investment property and property, plant and equipment did not meet the criteria for appropriate exchange rates in terms of IFRS as defined above. Had the correct rate been used, most balances would have been materially different.

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

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further descried in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, the Chief Executive Review of Operations, Group Financial Review, Sustainability Philosophy Report, Corporate Governance Report, Directors' Report, Directors' Responsibility for Financial Reporting, Certificate of Compliance by Group Company Secretary and Declaration by Group Chief Finance Officer but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 - Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the above reports affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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 the directors 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 the directors, we determine those matters that were of most significance in the audit of the consolidated 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.

INDEPENDENT AUDITOR'S REPORT

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Constance Chakona (PAAB Practising Certificate Number 431).

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Audit

Harare
19 December 2019