Hwange Colliery Company Limited
Abridged Audited Financial Results
For the year ended 31 December 2019

HWANGE
COLLIERY COMPANY LIMITED
(Incorporated in Zimbabwe)





ADMINISTRATOR'S LETTER

OVERVIEW

The Company was placed under administration by a Reconstruction Order made by the Minister of Justice, Legal and Parliamentary Affairs ("the Minister") in terms of the Reconstruction of State-Indebted Companies Act [Chapter 24:27] on or about 26 October 2018. The reasons for this include :

a) Gross losses;
b) Persistent losses over a long period;
c) Negative cash flow;
d) Obsolete and antiquated plant and equipment;
e) Technical insolvency with liabilities significantly exceeding assets;
f) Non payment of creditors as they fell due; and
g) Non payment of employees over a long period of time.

Owing to the above mining had stopped in August 2018.
On 12 February 2020, the High Court refused to confirm the Reconstruction Order as it found, inter alia, that the 2014 scheme of arrangement with creditors subsisted at the time of the Reconstruction Order and should be allowed to run its course. However, on 27 February 2020, the Minister appealed against this decision, to the Supreme Court, and pending the hearing in the Supreme Court, administration continues as normal.

Whilst a lot of work still needs to be done, it is pleasing to note that mining resumed in April 2019. We report hereunder the progress made to date.

FINANCIAL PERFORMANCE

On a historic cost basis, the Company's performance improved from a gross loss of ZWL 3.3 million for the year ended 31 December 2018 to a Gross profit of ZWL 182 million for the year under review. The net loss position however increased from ZWL 78 million to ZWL 91 million due to an exchange loss of ZWL 322 million on legacy foreign creditors. On an inflation adjusted basis, the performance improved from a gross loss of ZWL 21 million and a net loss of ZWL 487 million to a gross profit of ZWL 422 million and after tax profit of ZWL 1.5 billion. .

Revenue increased by 105% from ZWL429 million in 2018 to ZWL 881 million in 2019 on an inflation adjusted basis and on historical basis it increased by 511% from ZWL69.1 million in 2018 to ZWL422.2 million in 2019. This was largely due to a combination of an increase in high value coking coal sales as well as frequent adjustments to product prices in line with changes to the Interbank rates which were introduced in February 2019.

PERFORMANCE

Financial performance improved in 2019 against comparable period in 2018 despite decreased production and sales volumes. This was largely due to a change in the sales mix, which saw high value coking coal production and sales going up by 20% as well as improved product pricing. Production and sales were adversely affected by the shortage of diesel coupled with unavailability of wagons. There was a production gap of 64% in total coal mined of 1,013,932 tonnes, compared to sales potential of 2,819,298 tonnes. The market remains with a high appetite for our product as evidenced by our 2019 order book. The Marketing Department was capacitated by two field vehicles which were purchased during the period under review, and which increased market visibility.

REVIEW OF OPERATIONS

It was encouraging to note that own production increased by 27% during the period under review, despite the overall production decreasing by 43% mainly as a result of contractor production, which decreased by 75%. Over time, less reliance should be placed on contractors with own mining being a priority as it is cheaper and generally more reliable. However the major challenge in achieving this is largely due to lack of both financial and human capital, aspects which will continue to be prioritized going forward. The strategic priorities for the Company's year-end were the following;

a) **Safety, Health, Environment and Quality**
The company recorded improvements on both lost time injury accidents and property damage incidents in 2019 compared to 2018. A wellness programme was introduced in December 2019 in order to augment efforts towards consolidating all systems through an IBMS programme which is expected to be fully implemented in 2020.

b) **Increasing the volume of high value and high margin coking coal**
During the year under review, focus was on increasing production and sales of high value coking Coal. Coking coal sales increased by 20% from 203 298 tonnes in 2018 to 244 314 tonnes in 2019. The coking coal sales volumes were however limited by washing capacity constraints as the plant is antiquated and needs retooling, which is currently underway.

c) **Open Cast Mining**
Own open cast operations at JKL Mine produced 449 454 tonnes in 2019 which was an increase of 22% from 2018 production of 366 959 tonnes. Production by the Contractor at Chaba Mine dropped by 75% from 1,220,859 tonnes in 2018 to 306 825 tonnes in 2019. As a result overall opencast mine production in 2019 was 52% below that of 2018. This was mainly attributable to low Contractor activity and working capital challenges, shortages of diesel in the market and foreign currency to buy spares and explosives. The highlight of the year was the acquisition and commissioning into production of 2 new state of the art Liebherr excavators to bridge the gap on the aging loading capacity. The excavators have had a significant impact on loading capacity. However, dump truck capacity continues to be a major bottleneck to production as 70% of dump truck capacity went down due to worn out tyres. It should be noted that when the Company was placed under administration production had ceased and this was worsened by the Contactor which immediately stopped production due to non-payment of long outstanding invoices.

d) **Underground Mining**
The underground operation at 3 Main mine produced 268 603 tonnes in 2019 which was an increase of 37% from 2018 production of 196 060 tonnes. The increase was attributable to improved operational funding support and the credit facility availed by the major original equipment manufacturer, Komatsu SA, which has been working well. This was however below the 2019 annual target of 409 500 tonnes, attributable to a shortage of working capital and foreign currency for spares and consumables, mainly imported from South Africa. The mine received and commissioned the 18-seater personnel carrier which reduces fatigue on underground employees who were travelling a long distance. The Continuous Miner (CM) had a major breakdown towards the end of 2019 and was subsequently trammed out of the mine in December 2019 for repairs and opportunistic maintenance works. The CM resumed work in March 2020.

e) **Fixed and mobile plant repair and restoration of full capacity**
Significant investment has been made in new equipment as well as repairs and maintenance of the existing plant and equipment. Open cast mine was equipped with two excavators and two mine dewatering pumps which significantly improved the loading capacity and pumping capacity. Repairs work on the HMS washing plant is at an advanced stage and has been delayed by foreign currency constraints and is expected to be commissioned in the second quarter of 2020. Two buses for employees have also been purchased, with one already received and in use. Two utility vehicles were also purchased for the marketing department.

f) **Coke Production**
The intended takeover of the Hwange Coal Gasification Company (Private) Limited (HCGC) Coke Oven Battery pursuant to a BOOT Agreement with its Chinese partners in HCGC is still pending. The company is now also considering constructing its own battery in order to tap into the coke market, which has high value and significant foreign currency earning potential.

g) **Cost Control**
The Company adopted a low cost high productivity strategy. This has enabled it to significantly reduce its costs. Tight controls remain on costs, but these are affected by exchange rate driven inflation.

OUTLOOK

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

a) **Increasing the volume of high value and margin coking coal**
Apart from the underground mining operations which are producing an average of 35 000 tonnes per month, plans are underway to develop a second underground mining section in the medium term, so that coking coal production will double when the new section is fully operational. In addition, opencast operations at the JKL pit will continue in order to increase high value coking coal in the product mix. It should be noted that at present 50% of production and sales is thermal coal which is currently being sold at a loss. Clearly this is not sustainable and hence the need to aggressively change the mix even if it means lower volumes.

b) **Rebuild or replacement of Hwange Colliery's own Coke Oven Battery.**
The company's coke oven battery was shut down in mid-2014 in a controlled manner in order to prevent damage to the oven furnaces. Despite many interventions over many years to implement a rolling rebuild, the plant was very old and beyond its economic life. Therefore a process is underway, to invite bidders to tender for the full rebuild of the coke oven battery, by-products plant and ancillary plants or the supply of a completely new coke oven battery of the same capacity together with the by-products and ancillary plants.

b) **Fixed plant repair and restoration of full capacity**
The main thrust as we move into 2020 is to ensure that we fully capacitate our opencast mine by acquiring the required spares to bring back all the trucks on line and sort out the loading capacity which was a bottleneck in 2019. The completion of repair work of the Heavy Medium separation plant (HMS) is also on the high priority list and should be commissioned in the second quarter of 2020.

c) **Development of Option Area and Lubimbi**
The life of mine at the current open cast operations is estimated to be less than 5 years. Therefore the development of the Option Areas and Lubimbi coal fields to a full scale mining operations is critical. The loss of the Western Area Coal Fields is now a threat to the 25 years coal supply agreement which was signed with the Zimbabwe Power Company's Hwange Power Station Stage 3 expansion. There is therefore need for the company to be allocated an alternative resource to be able to full fill the agreement which is critical to the electricity supply in the country.

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. It is therefore currently gathering market information of the ferro-chrome industries in South Africa to try and explore options to export either coking coal or coke into that market. In collaboration with the National Railways of Zimbabwe and Bulawayo Beitbridge Railway (BBR), the company will develop dedicated solutions for the delivery of coking coal and coke products to customers in the region and within the country.

COVID 19 Update

The company continues to operate cautiously during the lockdown period which commenced on 31 March 2020 as it is considered to be offering essential services according to SI 83 of 2020. Several measures were taken to ensure the safety of the employees and the other stakeholders. The company operations were however affected by the pandemic as some customers and suppliers are closed due to lockdown. The company will continue to operate and is fully aware of the potential risk to the business of the pandemic until it is under control.

ZSE LISTING

The Zimbabwe Stock Exchange suspension owing to administration, continues.

DIRECTORATE

There are no directors in place due to administration.

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
10 April 2019

OPERATIONAL REVIEW

INTRODUCTION

It is my privilege to present a review of the operations of Hwange Colliery Company Limited for the year ended 31 December 2019.

OPEN CAST OPERATIONS

As the production year 2019 began, the strategic thrust carried over from 2018 was for the organization to focus on managing coal stockpiles which had exceeded 340,000 tonnes in September 2018. Mining operations had been strategically stopped in a bid to deplete the available stockpiles and improve sales and revenue while mitigating the spontaneous combustion risk posed. Therefore as the year began, mining equipment was deployed on coal movement from stockpiles to the processing plants. Mining operations commenced in February 2019 at the JKL Strategic pit and continued throughout the year.

The contractor Mota Engil complimented HCCL's own production towards the end of the year, mining coal at Chaba for 3 months; August, September and November before the expiration of the contract.

The highlight of the year was the acquisition and commissioning into production of two new state of the art Liebherr 980 SME excavators meant to bridge the gap on the aging loading capacity. The Mine continued to be constrained by low working capital inflows and the shortage of adequate foreign currency to acquire critical spares and consumables.

Total coal mined by Opencast operations totalled 756,279 tonnes, a 52% decline in production from the previous year. Total coal from HCCL pits was 449,454 tonnes, a 22% increase in production from 2018 while the contractor Mota Engil mined a total of 306,825 tonnes, that's a 75% decline in production.

A total of 554,619 tonnes of coal was delivered to Hwange Power Station during the course of the year. The coal conveyor delivery system to ZPC continued to be a major bottleneck which requires capital expenditure.

UNDERGROUND OPERATIONS

3 Main Underground Mine Run of Mine (RoM) coal production was 37% better than the previous year but 35.5% below the target. During the year 268,603t of RoM coal was produced against a budget of 409,500t. The year-on-year increase is attributable to the resuscitation of the Sandvik LHD, improving operational funding support and the credit facility which was availed by OEM (Komatsu SA), which has been working well.

The mine received and commissioned the eighteen seater Personnel man Carrier and reduced fatigue on underground employees. The underground working sections have advanced and employee were travelling long travel distances in and out of the mine. The Continuous Miner (CM) had a major breakdown towards the end of 2019 and was subsequently trammed out of the mine in December 2019 for repairs and opportunistic maintenance works. It is now in good working condition.

Projects

Conveyor interlock and communication system was partially commissioned. Full commissioning will be done when the control voltage transformers are acquired. Change house construction project is now expected to be completed in 2020.

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.

PROCESSING - METALLURGICAL OPERATIONS AND LOGISTICS

A total of 628 727 tons raw coal was processed at both Chaba and No 2 plants against a target of 1 440 000 tons which is 44% attainment of the target.

A total of 378,090tons HIC/HCC was processed at Chaba during the year under review. This was against a target of 960,000tons i.e. 39.4% target achievement. The Jig and floatation plant processed a total of 161,256tons versus a target of 252,000 tons i.e. 64% target achievement. The Jig plant was affected by engineering breakdowns mainly the number 2 feed water pump and the waste elevator buckets. The plant also had challenges on supply of process water from the Runduwe and low haulage capacity.
The Wet Screens plant processed a total of 250,637tons against a target of 480,000tons i.e. 52% target achievement. Fuel supply was a challenge from the beginning of the year right through the end and it affected production.

ESTATES OPERATIONS

The Division is divided into four segments, namely Real Estate, Retail, Hospitality and Education.

Planned projects were negatively affected by the unfavourable economic environment. Projects undertaken by the division included -:

- Refurbishment of retail outlets and clubs as part of our ongoing rebranding exercise.
- Completion of the refurbishment and refurnishing of Hwange Angling and Boating Club, an eleven (11) chalet facility of the mighty Zambezi River.
- Construction of a fast food outlet complex along the Bulawayo-Victoria Falls highway.

MEDICAL SERVICES OPERATIONS

Revenue performance was 82% above budget, largely due to rampant inflation experienced throughout 2019. The Division refrained from collecting a co-payment from Cellmed clients, and from claiming medical aid shortfalls from the same market segment. This had a profoundly negative impact on revenue generation as this group comprises circa 85% of patient throughput. Costs of consumables also contributed as inflation remained a factor throughout 2019.

The Employee Wellness Programme spearheaded by the Division was successfully launched in December, 2019 following extensive research, bench marking with companies that have launched successful programmes as well as an extensive process of employee consultation and involvement.

A Patient Management and Administration software system [PMS] was acquired to manage the billing and Management Information and year end was in the process of implementation.

All professional staff whose licences expired in December 2019 renewed their practicing licences after amassing acceptable professional development points. The Division had in place In-House/in service training, which covered all staff groups and grades. By year end, there were 89 students in training at the School of Nursing.

IMPROVED 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 and companies within the concession 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.

COVID 19 MEASURES

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. January 2020, the World Health Organization (WHO) declared the novel Coronavirus, COVID-19, as a Public Health Emergency of International concern.

Hwange Colliery Company Limited (HCCL) will follow and comply with all Government directives as the company has always done in critical matters. It is against this background that HCCL has put in place a raft of mitigation measures in line with COVID-19 National Preparedness and Response Plan. Some of the measures include setting up screening sites at identified critical points. Screening is currently being done at Opencast entry point, Hospital gate and General Office entrance. Where screening is not being done, everyone is encouraged to wash/ sanitize hands regularly and religiously.

As for the isolation of suspected cases, individuals suspected will self-isolate at home and the surveillance team shall be monitoring the person.

CONCLUSION

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

Dr C. Zinyemba
Acting Managing Director

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019

		Inflation Adjusted		Historical	
	Notes	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Revenue	5	881 483 368	429 477 707	422 227 974	69 144 019
Cost of sales		(459 305 628)	(450 572 795)	(239 912 676)	(72 540 235)
Gross profit/(loss)		422 177 740	(21 095 088)	182 315 298	(3 396 216)
Other income	7	5 675 738	8 154 994	2 285 276	1 312 918
Other losses and gains	8	(284 351 481)	-	(256 741 882)	-
Marketing costs		(3 125 366)	(3 632 143)	(1 301 154)	(584 759)
Administrative costs		(131 765 816)	(200 389 725)	(77 275 551)	(32 261 863)
Impairment of assets	14	-	(121 788 761)	-	(19 607 454)
Care and maintenance		-	(39 220 669)	-	(6 314 355)
Gain on net monetary position		2 261 005 386	-	-	-
Operating profit/loss before interest and tax		2 269 616 201	(377 971 392)	(150 718 013)	(60 851 729)
Finance costs	9	(57 877 401)	(109 409 590)	(19 023 411)	(17 614 462)
Share of profit/(loss) from equity accounted investments	10	-	146 010	-	23 507
Profit/(loss) before tax	**11**	**2 211 738 800**	**(487 234 972)**	**(169 741 424)**	**(78 442 684**
Income tax expense	12	(666 503 660)	-	78 631 903	-
PROFIT/LOSS FOR THE YEAR		**1 545 235 140**	**(487 234 972)**	**(91 109 521)**	**(78 442 684)**
Other comprehensive income:					
Gain on revaluation property, plant and equipment		-	-	2 380 201 695	-
Tax effect of revaluation		-	-	(588 385 859)	-
		-	-	1 791 815 836	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 545 235 140**	**(487 234 972)**	**1 700 706 315**	**(78 442 684)**
Attributable profit/(loss) per share					
- basic	13.1	8.41	(2.65)	(0.50)	(0.43)
- diluted	13.2	8.41	(2.65)	(0.50)	(0.40)
Headline profit/(loss) per share					
- basic	13.3	8.28	(1.80)	(0.52)	(0.31)
- diluted	13.4	8.28	(1.80)	(0.52)	(0.31)

Hwange Colliery Company Limited

Abridged Audited Financial Results

For the year ended 31 December 2019

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	Inflation Adjusted 2019 ZWL	Inflation Adjusted 2018 ZWL	Historical 2019 ZWL	Historical 2018 ZWL
ASSETS					
Non current assets					
Property, plant and equipment	14	2 473 968 407	2 428 201 987	2 473 968 407	80 135 517
Investment property	15	80 328 300	27 888 962	80 328 300	4 490 000
Investments accounted for using the equity method	16	91 782 250	91 782 250	14 776 538	14 776 538
Intangible assets	17	1 063 148	3 021 499	273 585	486 448
Inventories - non current portion	18	28 572 626	42 313 145	5 891 543	6 812 230
Stripping activity asset	19	9 138591	9 138 591	1 471 273	1 471 273
		2 684 853 322	**2 602 346 434**	**2 576 709 646**	**108 172 006**
Current assets					
Inventories	20	147 884 159	105 271 477	89 377 080	16 948 244
Trade and other receivables	21	128 197 171	198 230 548	128 197 171	31 914 245
Cash and cash equivalents	23	11 380 994	9 706 471	11 380 994	1 562 699
		287 462 324	**313 208 496**	**228 955 245**	**50 425 188**
Total assets		**2 972 315 646**	**2 915 554 930**	**2 805 664 891**	**158 597 194**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	24	450 843 969	450 843 569	45 962 789	45 962 789
Share premium		5 119 606	5 119 606	577 956	577 956
Non-distributable reserve		42 751 736	42 751 736	4 358 468	4 358 468
Revaluation reserve		-	-	1 831 764 354	39 948 518
Retained earnings/(Accumulated losses)		865 701 953	(369 707 682)	(528 147 354)	(380 872 377)
		1 364 417 264	**129 007 629**	**1 354 516 213**	**(290 024 646)**
Non-current liabilities					
Finance lease liability	25	400 000	3 105 675	400 000	500 000
Borrowings	26.1	179 692 285	1 052 161 161	179 692 285	169 393 312
Long term creditors	27	548 625 061	1 319 981 774	548 625 061	212 511 251
Income tax liability	28	10 054 850	62 454 193	10 054 850	10 054 850
Deferred tax liability		666 503 660	-	509 753 956	-
		1 405 275 856	**2 437 702 803**	**1 248 526 152**	**392 459 413**
Current liabilities					
Finance lease liability	25	527 234	5 038 585	527 234	811 190
Borrowings	26.2	-	3 388 012	-	545 455
Trade and other payables	27	176 446 539	240 031 549	176 446 539	38 644 022
Provisions	29	25 648 753	100 386 352	25 648 753	16 161 760
		202 622 526	**348 844 498**	**202 622 526**	**56 162 427**
Total equity and liabilities		**2 972 315 646**	**2 915 554 930**	**2 805 664 891**	**158 597 194**

STATEMENT OF CASHFLOWS

as at 31 December 2019

	Notes	Inflation Adjusted 2019 ZWL	Inflation Adjusted 2018 ZWL	Historical 2019 ZWL	Historical 2018 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		2 211 738 800	(487 234 972)	(169 741 424)	(78 442 683)
Adjustment for non-cash items:					
Foreign exchange gain/(loss)		336 790 818	-	332 580 182	-
Insurance claim	7	(60 517)	(1 889 760)	(26 731)	(304 243)
Finance costs	9	-	109 409 590	19 023 411	17 614 462
Impairment of assets (reversal)	14	(31 679 993)	121 788 761	(5 994 521)	19 607 454
Inventory write down of spares products		-	21 173 058	-	3 408 769
Depreciation	14	33 079 192	74 493 802	10 424 268	11 993 174
Fair value adjustment on investment property		(52 439 338)	-	(75 838 300)	-
Share of (profit)/loss from equity accounted investments		-	(146 010)	-	(23 507)
Amortisation	17	698 465	1 322 167	212 863	212 863
Treasury bills discount reversal		-	(5 542 692)	-	(892 349)
Gain/(loss) on net monetary position		(2 261 005 386)	-	-	-
Discount received		-	(2 743 684)	-	(441 721)
Operating cash flow before changes in working capital		**237 122 041**	**(169 369 741)**	**110 639 748**	**(27 267 781)**
Changes in working capital:					
(Increase)/decrease in inventory		(234 639 130)	(13 719 276)	(71 508 149)	(2 208 743)
Decrease/(increase) in stripping activity asset		-	45 965 792	-	7 400 290
Increase in receivables		(315 932 411)	(3 021 635)	(96 282 926)	(486 470)
Increase in provisions		31 129 596	14 302 190	9 486 993	2 302 588
Increase/(decrease) in trade and other payables		362 074 122	88 698 133	80 917 926	14 280 009
Cash utilised in operating activities		79 754 218	(37 144 537)	33 253 592	(5 980 107)
Interest paid		-	(7 790 096)	-	(1 254 171)
Net cash flows utilised in operating activities		**79 754 218**	**(44 934 633)**	**33 253 592**	**(7 234 278)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(47 165 619)	(15 827 137)	(18 060 942)	(4 167 008)
CASH FLOWS FROM FINANCING ACTIVITIES					
(Decrease)/increase in long-term creditors		32 033 649	(36 627 716)	11 339 200	(5 896 901)
Proceeds from borrowings		10 373 258	69 381 646	6 357 730	12 789 048
Repayment of borrowings		(65 177 211)	(17 344 220)	(23 071 285)	(2 792 343)
Net cash flows generated from financing activities		**(22 770 304)**	**15 409 710**	**(5 374 355)**	**4 099 804**
Net decrease in cash and cash equivalents		9 818 295	(45 352 060)	9 818 295	(7 301 482)
Cash and cash equivalents at beginning of the year		1 562 699	55 058 531	1 562 699	8 864 181
Cash and cash equivalents at end of year	23	**11 380 994**	**9 706 471**	**11 380 994**	**1 562 699**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share capital ZWL	Share premium ZWL	Non-distributable reserve ZWL	Revaluation reserve ZWL	Retained earnings/ (Accumulated) losses ZWL	Total ZWL
INFLATION ADJUSTED						
Balance at 1 January 2018	**450 843 969**	**5 119 606**	**42 751 736**	**-**	**117 527 290**	**616 242 601**
Loss for the year	-	-	-	-	(487 234 972)	(487 234 972)
Balance at 31 December 2018	450 843 969	5 119 606	42 751 736	-	(369 707 682)	129 007 629
Balance at 1 January 2019	450 843 969	5 119 606	42 751 736	-	(369 707 682)	129 007 629
Effect of change in functional currency	-	-	-	-	(309 825 505)	(309 825 505)
Profit for the year	-	-	-	-	1 545 235 140	1 545 235 140
Balance at 31 December 2019	**450 843 969**	**5 119 606**	**42 751 736**	**-**	**865 701 953**	**1 364 417 264**
HISTORICAL						
Balance at 1 January 2018	**45 962 789**	**577 956**	**4 358 468**	**39 948 518**	**(302 429 693)**	**(211 581 962)**
Loss for the year	-	-	-	-	(78 442 684)	(78 442 684)
Balance at 31 December 2018	45 962 789	577 956	4 358 468	39 948 518	(380 872 377)	(290 024 646)
Balance at 1 January 2019	45 962 789	577 956	4 358 468	39 948 518	(380 872 377)	(290 024 646)
Effect of change in functional currency	-	-	-	-	(56 165 456)	(290 024 646)
Loss for the year	-	-	-	-	(91 109 521)	(91 109 521)
Other comprehensive income, net of tax	-	-	-	1 791 815 836	-	1 791 815 836
Balance at 31 December 2019	**45 962 789**	**577 956**	**4 358 468**	**1 831 764 354**	**(528 147 354)**	**1 120 657 023**

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

for the year ended 31 December 2019

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 on 10 April 2020.

Presentation currency

These financial statements are presented in Zimbabwean Dollars (ZWL) being the functional and reporting currency of the primary economic environment in which the Group operates.

Statement of compliance

The abridged financial results of the Company have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs). 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 requirement to comply with Statutory Instrument 33 of 2019.

Changes in accounting policies

New and revised standards and interpretations - Adopted

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC. The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019.

On transition, for those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

IAS 29 'Financial Reporting in Hyper -Inflationary Economies'

The Company adopted IAS 29 – "Financial Reporting in Hyper -Inflationary Economies" effective 1 January 2019 as proclaimed by the local accounting regulatory board, Public Accountants and Auditors Board "PAAB". IAS 29 requires that the financial statements prepared in the currency of a hyper-inflationary economy be stated in terms of a measuring unit current at the balance sheet date. The restatement has been calculated by means of conversion factors derived from the consumer price index(CPI) prepared by the Reserve Bank Of Zimbabwe. The conversion factors unused to restate the financial statements at 31 December 2019, using a February 2019 base are as follows:

Date	Indices	Conversion factor
31 December 2019	551.6	1.000
31 December 2018	88.8	6.211

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 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

In the Company's financial statements, all assets, liabilities and transactions of the entities with a functional currency other than the ZWL, are translated into ZWL. The functional currency of the Company has changed from USD to ZWL during the reporting period.

4.3 Investment in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognised at cost. The company's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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.

4.4 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.

4.4.1 Sale of goods

Revenue represents sales of coal and related products and is recognised after the following:

To determine whether to recognise revenues, the Company follows a 5 step process:
1. Identifying the contract with the customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transactional price to the performance obligations
5. Recognising revenues when/as performance obligation(s) are satisfied.

4.4.2 Dividend income

Dividend revenue from investments is recognised when the Shareholder's right to receive payment has been established.

4.4.3 Interest income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts, through the expected life of the financial asset to that asset's net carrying amount.

4.4.4 Rendering of services

Revenue from the rendering of services from the hospital, estates and investment property is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

5 REVENUE

	Inflation Adjusted 2019 ZWL	Inflation Adjusted 2018 ZWL	Historical 2019 ZWL	Historical 2018 ZWL
Mining	813 559 198	352 729 458	395 000 695	56 787 889
Medical services	12 599 157	12 703 950	5 749 628	2 045 280
Estates	55 325 013	64 044 299	21 477 651	10 310 850
	881 483 368	**429 477 707**	**422 227 974**	**69 144 019**

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:

-The Mining Division, which mines and sells coal and coal products;

-The Medical services Division, which provides medical services; and

-The Estates Division, which leases property owned by the company.

No operating segments have been aggregated to form the above reportable operating segments. Segment information for the reporting period is as follows:

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

	Inflation Adjusted 2019 ZWL	Inflation Adjusted 2018 ZWL	Historical 2019 ZWL	Historical 2018 ZWL
Sales within Zimbabwe	861 843 935	414 836 207	412 815 257	66 786 802
Sales elsewhere in Sub-Saharan Africa	19 639 433	14 641 500	9 412 717	2 357 217
Total revenue	**881 483 368**	**429 477 707**	**422 227 974**	**69 144 019**

7 OTHER INCOME

	Inflation Adjusted 2019 ZWL	Inflation Adjusted 2018 ZWL	Historical 2019 ZWL	Historical 2018 ZWL
Insurance claims	60 517	1 889 760	26 731	304 243
Rental income	3 301 684	2 891 545	1 107 743	465 525
Sale of scrap metal	652 025	1 500 799	223 116	241 624
Sundry income	1 661 512	1 872 890	927 686	301 526
	5 675 738	**8 154 994**	**2 285 276**	**1 312 918**

8 OTHER GAINS AND LOSSES

	Inflation Adjusted 2019 ZWL	Inflation Adjusted 2018 ZWL	Historical 2019 ZWL	Historical 2018 ZWL
Fair value adjustment on investment property	52 439 338	-	75 838 300	-
Foreign exchange loss	(336 790 819)	-	(332 580 182)	-
	(284 351 481)	-	(256 741 882)	-

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

for the year ended 31 December 2019

9 FINANCE COSTS

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Interest on loans and overdrafts	57 752 661	108 607 736	18 898 671	17 485 367
Interest on leases	124 740	801 854	124 740	129 095
	57 877 401	**109 409 590**	**19 023 411**	**17 614 462**

Interest on loans and overdraft comprise of interest charged on the Government of Zimbabwe treasury bills 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:

	Inflation Adjusted		Historical	
Clay Products (Private) Limited	-	146 010	-	23 507
Zimchem Refineries(Private) Limited	-	-	-	-
Hwange Coal Gasification Company	-	-	-	-
	-	**146 010**	-	**23 507**

The share of profit of Zimchem Refiners (Private) Limited for the year ended 31 December 2019 amounting to ZWL280 399 was not recorded in these financial statements as the cumulative share of losses exceeds the carrying amount of the investment in the associate.

Audited financial information for Hwange Coal Gasification Company and Clay products (Private) Limited was not yet available at the date of publication.

11 LOSS BEFORE TAX

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Profit/(loss) before tax for the year has been arrived at after charging the following:				
Expected credit losses	2 796 699	7 236 024	2 796 699	1 164 968
Amortisation	1 958 350	1 322 167	212 863	212 863
Audit fees	4 516 526	686 385	1 559 895	110 505
Depreciation on property, plant and equipment (note 14)	33 079 192	74 493 796	10 424 268	11 993 174
Impairment of assets (note 14)	(31 679 993)	121 788 761	(5 994 521)	19 607 454
Directors' emoluments				
- Executive Directors	2 579 328	2 739 609	564 574	441 065
- Non-Executive Directors	-	443 304	-	71 370
Employee benefits expense (note 11.1)	219 471 107	118 605 171	48 593 398	19 094 910

11.1 Employee benefits expense

Salaries and other contributions	152 516 718	110 661 612	46 480 688	17 816 032
Contribution to Mining Industry Pension Fund	65 478 513	6 052 172	1 662 925	974 373
Contribution to National Social Security Authority	1 475 876	1 891 580	449 785	304 536
	219 471 107	**118 605 364**	**48 593 398**	**19 094 941**

12 INCOME TAX

12.1 Current tax:

Current tax	-	-	-	-
Deferred tax	666 503 660	-	(78 631 903)	-
Income tax (credit)/expense	666 503 660	-	(78 631 903)	-

13 LOSS PER SHARE

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2019 ZW
13.1 Basic				
Profit/(loss) attributable to shareholders	3 475 687 378	(487 234 972)	(91 109 521)	(78 442 684)
Weighted average number of ordinary shares in issue	183 720 699	183 720 699	183 720 699	183 720 699
Basic profit/(loss) per share	18.92	(2.65)	(0.50)	(0.43)

Basic profit/(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 profit/(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 profit/(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.

In the diluted profit/(loss) per share the share options calculation is done to determine the number of shares that could have been acquired (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the "unpurchased" shares to be added to the ordinary shares outstanding for the purpose of computing the dilution; for the share option calculation no adjustment is made to profit/(loss).

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2019 ZW
Profit/(loss) used to determine diluted profit/(loss) per share	3 475 687 378	(487 234 972)	(91 109 521)	(78 442 684)
Weighted average number of ordinary shares in issues	183 720 699	183 720 699	183 720 699	183 720 699
Diluted profit/(loss) per share	18.92	(2.65)	(0.50)	(0.43)

13.3 Profit/(loss) per share

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

	2019 ZWL	2018 ZWL	2019 ZWL	2019 ZW
IAS 33 -Loss for the year	3 475 687 378	(487 234 972)	(91 109 521)	(78 442 684)
Non - recurring items:				
Proceeds on sale of scrap	(652 025)	(1 500 799)	(223 116)	(241 624)
Impairment of assets/(reversal)	(31 679 993)	121 788 761	(5 994 521)	19 607 454
Stripping activity asset impairment	-	45 965 792	-	7 400 290
Loss on disposal of Treasury Bills	-	5 542 698	-	892 350
Tax effect of the above	8 325 495	(42 810 342)	1 601 042	(4 756 921)
Headline profit/(loss)	3 451 680 855	(358 248 862)	(95 726 116)	(55 541 135)
Weighted average number of ordinary shares in issue	183 720 699	183 720 699	183 720 699	183 720 699
Headline profit/(loss) per share	**18.79**	**(1.95)**	**(0.52)**	**(0.30)**

13.4 Diluted headline profit/(loss) per share

Profit/(loss) used to determine diluted headline loss per share	3 451 680 855	(358 248 862)	(95 726 116)	(55 541 135)
Weighted average number of ordinary shares in issue	183 720 699	183 720 699	183 720 699	183 720 699
Diluted headline profit/(loss) per share	**18.79**	**(1.95)**	**(0.52)**	**(0.30)**

14 PROPERTY, PLANT AND EQUIPMENT

Inflation Adjusted

Year ended 31 December 2019	Freehold land and builidngs ZWL	Plant, machinery and movables ZWL	Motor vehicles ZWL	Capital work in progress ZWL	Total ZWL
Cost/gross carrying amount					
Balance at 1 January	1 832 979 118	718 915 611	24 877 167	5 295 996	2 582 067 892
Additions	-	36 766 275	6 943 884	3 455 460	47 165 619
Reclassification of assets	-	-	105 837	(105 837)	-
Balance as at 31 December	1 832 979 118	755 681 886	31 926 888	8 645 619	2 629 233 511
Depreciation and impairment					
Balance at 1 January	31 539 189	117 747 488	2 228 020	2 351 208	153 865 905
Depreciation charge for the year	7 651 664	24 415 608	1 011 920	-	33 079 192
Impairment (reversal)	-	(31 679 993)	-	-	(31 679 993)
Balance as at 31 December	39 190 853	110 483 103	3 239 940	2 351 208	155 265 104
Carrying amount as at 31 December	1 793 788 265	645 198 783	28 686 948	6 294 411	2 473 968 407
Year ended 31 December 2018					
Cost/ gross carrying amount					
Balance at 1 January	1 832 979 118	704 507 877	24 423 465	4 330 295	2 566 240 755
Additions	-	13 443 876	453 702	1 929 559	15 827 137
Reclassification of assets	-	963 858	-	(963 858)	-
Balance as at 31 December	1 832 979 118	718 915 611	24 877 167	5 295 996	2 582 067 892
Depreciation and impairment					
Balance at 1 January	14 708 915	38 485 713	2 108 792	-	55 303 420
Depreciation charge for the year	16 830 274	27 493 037	119 228	-	44 442 539
Impairment	-	51 768 738	-	2 351 208	54 119 946
Balance as at 31 December	31 539 189	117 747 488	2 228 020	2 351 208	153 865 905
Carrying amount at 31 December	1 801 439 929	601 168 123	22 649 147	2 944 788	2 428 201 987

Historical

Year ended 31 December 2019	Freehold land and builidngs ZWL	Plant, machinery and movables ZWL	Motor vehicles ZWL	Capital work in progress ZWL	Total ZWL
Cost/gross carrying amount					
Balance at 1 January	102 833 842	119 513 371	3 327 665	5 295 996	230 970 874
Additions	-	12 432 678	2 172 804	3 455 460	18 060 942
Revaluation	1 730 145 276	623 735 837	26 320 582		2 380 201 695
Reclassification of assets	-	-	105 837	(105 837)	-
Balance as at 31 December	1 832 979 118	755 681 886	31 926 888	8 645 619	2 629 233 511
Depreciation and impairment					
Balance at 1 January	36 779 579	108 783 517	2 921 053	2 351 208	150 835 357
Depreciation charge for the year	2 411 274	7 694 107	318 887	-	10 424 268
Impairment (reversal)	-	(5 994 521)	-	-	(5 994 521)
Balance as at 31 December	39 190 853	110 483 103	3 239 940	2 351 208	155 265 104
Carrying amount at 31 December	1 793 788 265	645 198 783	28 686 948	6 294 411	2 473 968 407
Year ended 31 December 2018					
Cost/ gross carrying amount					
Balance at 1 January	102 833 842	116 385 108	3 254 621	4 330 295	226 803 866
Additions	-	2 164 405	73 044	1 929 559	4 167 008
Reclassification of assets	-	963 858	-	(963 858)	-
Balance as at 31 December	102 833 842	119 513 371	3 327 665	5 295 996	230 970 874
Depreciation and impairment					
Balance at 1 January	34 069 979	82 362 925	2 801 825	-	119 234 729
Depreciation charge for the year	2 709 600	9 164 346	119 228	-	11 993 174
Impairment	-	17 256 246	-	2 351 208	19 607 454
Balance as at 31 December	36 779 579	108 783 517	2 921 053	2 351 208	150 835 357
Carrying amount at 31 December	66 054 263	10 729 854	406 612	2 944 788	80 135 517

14.1 Leases

The Company has certain property that is held under a lease arrangement. As at 31 December 2019, the carrying amount of the property is ZWL 37 737 531 (2018: ZWL 670 930) and is included in freehold land and buildings. Finance lease liabilities are secured by the related assets held under finance leases. Future minimum lease payments at 31 December were as follows:

Inflation Adjusted

	Minimum lease payments due			
	Within 1 year ZWL	1 to 5 years ZWL	After 5 years ZWL	Total ZWL
31 December 2019				
Principal repayments	600 000	100 000	300 000	1 000 000
Finance charges accrued	(72 766)	-	-	(72 766)
Total	527 234	100 000	300 000	927 234
31 December 2018				
Principal repayments	5 190 209	621 135	400 006	6 211 350
Finance charges accrued	1 932 910	-	-	1 932 910
Total	7 123 119	100 000	400 000	8 144 260

Historical

	Minimum lease payments due			
	Within 1 year ZWL	1 to 5 years ZWL	After 5 years ZWL	Total ZWL
31 December 2019				
Principal repayments	600 000	100 000	300 000	1 000 000
Finance charges accrued	(72 766)	-	-	(72 766)
Total	527 234	100 000	300 000	927 234
31 December 2018				
Principal repayments	500 000	100 000	400 000	1 000 000
Finance charges accrued	311 190	-	-	311 190
Total	811 190	100 000	400 000	1 311 190

The lease agreement includes fixed lease payments and a purchase option at the end of the lease term. The agreements are non-cancellable but do not contain any further restrictions.

No contingent rents were recognised as an expense in the reporting periods under review, and no future sublease income is expected to be received as all assets are used exclusively by the Company.

15 INVESTMENT PROPERTY

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Valuation at 1 January	27 888 962	27 888 962	4 490 000	4 490 000
Fair value gains (included in other gains and losses)	52 439 338	-	75 838 300	-
At 31 December	80 328 300	27 888 962	80 328 300	4 490 000

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

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Rental income	3 301 684	2 891 545	1 107 743	465 525

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Investments in associates (note 16.1)	146 010	146 010	23 507	23 507
Investments in joint venture (note 16.2)	91 636 240	91 636 240	14 753 031	14 753 031
	91 782 250	91 782 250	14 776 538	14 776 538
16.1 Investments in associates				
Carrying amount as at 1 January	146 010	-	23 507	-
Share of profit/(loss)	-	146 010	-	23 507
Carrying amount as at 31 December	146 010	146 010	23 507	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:

	Inflation Adjusted		Historical	
16.2 Investment in joint venture				
Carrying amount as at 1 January	**91 636 240**	**91 636 240**	**14 753 031**	**14 753 031**

17 INTANGIBLE ASSETS

Inflation Adjusted

	Exploration and evaluation asset ZWL	Mining rights ZWL	ERP development and other software ZWL	Total ZWL
2019				
Cost/ Gross carrying amount				
Balance at 1 January 2019	47 858	1 242 270	12 600 531	13 890 659
Additions	-	-	-	-
Balance at 31 December 2019	47 858	1 242 270	12 600 531	13 890 659
Amortisation and impairment				
Balance at 1 January 2019	-	1 062 837	9 806 324	10 869 161
Amortisation	-	92 000	1 866 350	1 958 350
Balance at 31 December 2019	-	1 154 837	11 672 674	12 827 511
Carrying amount 31 December 2019	47 858	87 433	927 857	1 063 148
2018				
Cost/ Gross carrying amount				
Balance at 1 January 2018	47 858	1 242 270	12 600 531	13 890 660
Additions	-	-	-	-
Balance at 31 December 2018	47 858	1 242 270	12 600 531	13 890 660
Amortisation and impairment				
Balance at 1 January 2018	-	1 000 723	8 546 271	9 546 994
Amortisation	-	62 114	1 260 053	1 322 167
Balance at 31 December 2018	-	1 062 837	9 806 324	10 869 161
Carrying amount 31 December 2018	**47 858**	**179 433**	**2 794 207**	**3 021 499**

Historical

	Exploration and evaluation asset ZWL	Mining rights ZWL	ERP development and other software ZWL	Total ZWL
2019				
Cost/ Gross carrying amount				
Balance at 1 January 2019	7 705	200 000	2 028 630	2 236 335
Additions	-	-	-	-
Balance at 31 December 2019	7 705	200 000	2 028 630	2 236 335
Amortisation and impairment				
Balance at 1 January 2019	-	171 112	1 578 775	1 749 887
Amortisation	-	10 000	202 863	212 863
Balance at 31 December 2019	-	181 112	1 781 638	1 962 750
Carrying amount 31 December 2019	**7 705**	**18 888**	**246 992**	**273 585**
2018				
Cost/ Gross carrying amount				
Balance at 1 January 2018	7 705	200 000	2 028 630	2 236 335
Additions	-	-	-	-
Balance at 31 December 2018	7 705	200 000	2 028 630	2 236 335
Amortisation and impairment				
Balance at 1 January 2018	-	161 112	1 375 912	1 537 024
Amortisation	-	10 000	202 863	212 863
Balance at 31 December 2018	-	171 112	1 578 775	1 749 887
Carrying amount 31 December 2018	**7 705**	**28 888**	**449 855**	**486 448**

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.

18 INVENTORIES - NON CURRENT PORTION

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2019 ZWL
Balance at 1 January	54 707 776	60 450 468	8 807 711	9 732 259
Additions to stockpiles	-	1 747 004	-	281 260
Sales	(6 188 512)	(7 489 696)	(690 516)	(1 205 808)
Balance at 31 December	48 519 264	54 707 776	8 117 195	8 807 711
Balance at end of year is classified as follows:				
Non-current portion	28 572 626	42 313 145	5 891 543	6 812 230
Current portion (included in inventories note 20)	19 946 638	12 394 631	2 225 652	1 995 481
	48 519 264	54 707 776	8 117 195	8 807 711

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 2019 (2018: ZWL nil).

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
for the year ended 31 December 2019

19. STRIPPING ACTIVITY ASSET

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2019 ZWL
Balance at 1 January	9 138 591	55 104 383	1 471 273	8 871 563
Current year pre-stripping costs	-	-	-	-
Provision for impairment	-	(45 965 792)	-	(7 400 290)
Balance at 31 December	9 138 591	9 138 591	1 471 273	1 471 273
Balance at end of year allocated as follows:				
Non-current assets	9 138 591	9 138 591	1 471 273	1471 273
Current assets	-	-	-	-
Balance at end of year	9 138 591	9 138 591	1 471 273	1 471 273

20 INVENTORIES

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Raw materials/consumables	59 816 205	38 203 592	19 030 111	6 150 610
Finished goods				
- Coal	68 121 316	54 673 254	68 121 317	8 802 153
- Coal fines (note 18)	19 946 638	12 394 631	2 225 652	1 995 481
	147 884 159	105 271 477	89 377 080	16 948 244

During the year ended 31 December 2019, a total of ZWL1 385 212 (2018: ZWL NIL) 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 2019 (2018: nil)

21 TRADE AND OTHER RECEIVABLES

Trade receivables, gross	109 649 647	207 549 138	109 649 647	33 414 497
Allowance for credit losses	(27 392 661)	(152 774 130)	(27 392 661)	(24 595 962)
Trade receivables, net	82 256 986	54 775 008	82 256 986	8 818 535
Other receivables	45 940 185	143 455 540	45 940 185	23 095 710
	128 197 171	198 230 548	128 197 171	31 914 245

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

Included in trade receivables is an amount of ZWL 1 319 923 (2018: ZWL 16 676 706) relating to related party receivables (note 22.2).

The Company adopted IFRS 9 "Financial instrustment" from 1 January 2018 which resulted in changes in the accounting 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.

All of the Company's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an increase in allowance for credit losses of ZWL 2 796 999 (2018:ZWL 1 164 968) has been recognised.

The movement in the allowance for credit losses can be reconciled as follows:

Balance 1 January	24 595 962	145 538 106	24 595 962	23 430 994
Increase in allowance for credit losses	2 796 699	7 236 024	2 796 699	1 164 968
Balance 31 December	27 392 661	152 774 130	27 392 661	24 595 962

The table below describes the credit loss allowanced recognised on balance sheet.

Trade receivable	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Gross carrying amount	22 950 550	29 733 775	19 403 368	23 932 604	13 629 350	109 649 647
Average expected loss rate	0.5%	9.6%	30.2%	20.6%	100.0%	25.0%
Credit loss allowance	**114 753**	**2 858 625**	**5 859 817**	**4 930 116**	**13 629 350**	**27 392 661**

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.

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Related party receivables:				
Hwange Coal Gasification Company	1 303 851	101 772 120	1 303 851	16 384 863
Clay Products (Private) Limited	13 900	333 959	13 900	53 766
Zimchem Refineries (Private) Limited	2 172	1 478 780	2 172	238 077
	1 319 923	103 584 859	1 319 923	16 676 706
Related party payables:				
Hwange Coal Gasification Company	4 338 672	86 908 390	4 338 672	13 991 868
Zimchem Refineries (Private) Limited	21 151	153 041	21 151	24 639
	4 359 823	87 061 431	4 359 823	14 016 507

23 CASH AND CASH EQUIVALENTS

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
For purposes of statement of cash flows, cash and cash equivalents include cash on hand and in banks net of outstanding bank overdrafts.				
Bank and cash balances	11 380 994	9 706 471	11 380 994	1 562 699
Bank overdraft	-	-	-	-
	11 380 994	9 706 471	11 380 994	1 562 699

24 SHARE CAPITAL AND RESERVES

204 000 000 Ordinary shares of ZWL0.25 each	500 253 421	500 253 421	51 000 000	51 000 000
Issued and fully paid				
110 237 432 Ordinary shares of ZWL0.25 each	270 326 728	270 326 728	27 559 358	27 559 358
5 925 699 Ordinary shares issued under share option scheme	14 851 043	14 851 043	1 514 039	1 514 039
67 557 568 "A" Ordinary shares of ZWL0.25 each	165 666 199	165 666 199	16 889 392	16 889 392
	450 843 969	450 843 969	45 962 789	45 962 789

25 LEASE LIABILITY

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2019 ZWL
Non-current	400 000	3 105 675	400 000	500 000
Current	527 234	5 038 585	527 234	811 190
	927 234	8 144 260	927 234	1 311 190
The lease liability carrying amount is disclosed as follows:				
26.1 OK Zimbabwe				
Long term portion	400 000	3 105 675	400 000	500 000
Add: Short term portion	527 234	5 038 585	527 234	811 190
	927 234	8 144 260	927 234	1 311 190
Lease liability				
Principal	1 000 000	6 211 350	1 000 000	1 000 000
Repayment/(Finace charges capitalised)	(72 766)	1 932 910	(72 766)	311 190
	927 234	8 144 260	927 234	1 311 190

This OK Zimbabwe lease is a Build Operate and Transfer agreement for the establishment of a super market building which OK Zimbabwe funded the construction of the building for its own occupation for a period of nine years and eleven months. The estimated cost of construction is ZWL 1 000 000 and the interest rate is 10 % per annum.

26 BORROWINGS

26.1 Long term loans				
Export Import Bank of India (EXIM)	-	89 629 782	-	14 430 000
Government of Zimbabwe	162 307 704	858 250 271	162 307 704	138 174 513
Zimbabwe Asset Management Corporation (ZAMCO)	17 384 581	104 281 108	17 384 581	16 788 799
	179 692 285	1 052 161 161	179 692 285	169 393 312
Less current portion of loan	-	-	-	-
	179 692 285	1 052 161 161	179 692 285	169 393 312
26.2 Short term loans				
CBZ	-	3 388 012	-	545 455

26.3 Borrowing terms

Export Import Bank of India (EXIM)

This is a USD 13 005 760 (principal and interest) loan guaranteed by the Reserve Bank of Zimbabwe, taken for the purposes of financing the purchase of coal mining equipment. Interest is charged at a rate of LIBOR + 3.5 % p.a. The Governement of Zimbabwe took over the loan in February 2019.

Government Of Zimbabwe

As part of the ongoing restructuring plan, the Government of Zimbabwe through the Ministry of Finance and Economic Development issued treasury bills of USD 41 million and USD 18.216 million in settlement of the Mota Engil and RBZ/PTA Bank loan, respectively. The Government of Zimbabwe has agreed that the Government support be treated as a loan payable over 15 years with a 7% interest per annum in accordance with the provisions of the scheme of arrangement.

An additional USD 52.3 million worth of treasury bills were issued towards the Scheme of Arrangement bringing the total support from the Government of Zimbabwe to USD 111.5 million worth of treasury bills, as approved by the Ministry of Finance and Economic Development.

Zimbabwe Asset Management Corporation (ZAMCO)

Zimbabwe Asset Management Corporation (ZAMCO) took over USD 16 201 625 (principal and interest) outstanding on the BancABC loan on 1 September 2015 in a debt restructuring exercise. However, this amount was converted through the scheme of arrangement to a debenture amounting to USD 15 571 475 from 14 December 2017. The interest is charged on the debenture at the rate of 7% per annum on the daily debit balance and compounded semi annually. The maturity date for the debenture is 14 December 2025.

27 TRADE AND OTHER PAYABLES

	Inflation Adjusted		Historical	
Trade and other payables- Long term	2019 ZWL	2018 ZWL	2019 ZWL	2019 ZWL
Trade	465 107 488	558 236 907	465 107 488	89 873 683
Other	83 517 573	761 744 867	83 517 573	122 637 568
	548 625 061	1 319 981 774	548 625 061	212 511 251
Trade and other payables- Current				
Trade	104 882 523	102 355 881	104 882 523	16 478 846
Other	71 564 016	137 675 668	71 564 016	22 165 176
	176 446 539	240 031 549	176 446 539	38 644 022

28 INCOME TAX LIABILITY

Balance at 1 January	10 054 850	62 454 193	10 054 850	10 054 850
Movement	-	-	-	-
Balance at 31 December	10 054 850	62 454 193	10 054 850	10 054 850

29 PROVISIONS

Provision for rehabilitation (note 30.1)	13 069 319	53 937 346	13 069 319	8 683 675
Other provisions (note 30.2)	12 579 434	46 449 006	12 579 434	7 478 085
	25 648 753	100 386 352	25 648 753	16 161 760
29.1 Provision for rehabilitation				
At 1 January	8 683 675	44 830 463	8 683 675	7 217 507
Charged to profit or loss:				
Additional provisions made during the year	4 385 644	9 106 883	4 385 644	1 466 168
Amounts used during the year	-	-	-	-
At 31 December	13 069 319	53 937 346	13 069 319	8 683 675

The Company has an obligation to undertake rehabilitation and restoration when environmental disturbance is caused by the ongoing mining activities. The provision for rehabilitation costs recognised in these financial statements relates to previously mined areas.

The rehabilitation provision included in the financial statements is an estimate of the cost that will be incurred for the rehabilitation and restoration of the environment. The Directors are aware of the Company's responsibility for the rehabilitation and restoration of the environment and have come up with an estimate of the costs that would be incurred to rehabilitate and restore the mined areas.

29.2 Other provisions				
Death benefits	4 901 005	25 440 454	4 901 005	4 095 801
Leave pay and bonus provisions	7 678 429	21 008 552	7 678 429	3 382 283
	12 579 434	46 449 006	12 579 434	7 478 084

30 EVENTS AFTER REPORTING PERIOD

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impacton the financial position and results of the Company for future periods.

AUDITOR'S STATEMENT

These summary financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2019, which have been audited by Grant Thornton Chartered Accountants (Zimbabwe), in accordance with International Standards on Auditing.

The auditors have issued an adverse audit opinion on the inflation adjusted financial statements with respect to going concern, financial results of equity accounted investments not availed, non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates, International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies, and the extent to which fair values for assets, transactions and liabilities presented in the consolidated financial statements are affected by the prevailing economic environment.

The Auditors have included a section on key audit matters. The key audit matters were with respect to the Revenue recognition, allowances for credit losses, trade and other payables and income taxes. There is an emphasis of matter regarding the impact of COVID-19 pandemic on the Company's operations and the fact that it is not possible to reliably estimate the duration and severity of the consequences thereof. The auditor's report on the inflation adjusted financial statements which form the basis of these financial results is available for inspection at the Company's registered office.

The Engagement Partner on the audit resulting in this auditor's report is Farai Chibisa (PAAB Number 0547).

Grant Thornton

INDEPENDENT AUDITORS' REPORT

Grant Thornton
Camelsa Business Park
135 Enterprise Road, Highlands
PO Box CY 2619
Causeway, Harare
Zimbabwe

T +263 0242 442511-4
F +263 0242 442517 / 496985
E info@zw.gt.com
www.grantthornton.co.zw

To the members of Hwange Colliery Company Limited

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the inflation adjusted financial statements of Hwange Colliery Company Limited as set out on pages 13 to 58, which comprise the inflation adjusted statement of financial position as at 31 December 2019, and the inflation adjusted statement of profit or loss and other comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and the notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of our report, the inflation adjusted financial statements do not present fairly, in all material respects, the inflation adjusted financial position of Hwange Colliery Company Limited as at 31 December 2019, and its inflation adjusted financial performance and 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).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates and International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies

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 the **note 39** to the financial statements, the economic environment during the year ended 31 December 2019 was characterised by 'multi-tiered' pricing, and the Company transacted predominantly in RTGS FCA (electronic payments), including mobile money, bond notes and coins.

On 20 February 2019, a Monetary Policy Statement was issued, denominating the existing RTGS balances, bond notes and coins in circulation as RTGS dollars in order to establish an exchange rate between the existing monetary balances and foreign currency. The RTGS dollars became part of the multi-currency system in Zimbabwe through the issuance of statutory instrument (S.I.) 33/2019, with an effective date of 22 February 2019. The statutory instrument provided that for accounting and other purposes, all assets and liabilities that were immediately before the effective date, valued and expressed in United States dollars shall on and after the effective date be deemed to be values in RTGS dollars at a rate of 1:1 to the United States dollar. This was not consistent with IAS 21 – The Effects of Changes in Foreign Exchange Rates which requires that an assessment be made of the change in functional currency and that financial statements be presented at a rate that approximates the market rate. The Company had to be guided by S.I. 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.

In compliance with SI 33/2019, Hwange Colliery Company Limited maintained its functional currency as the USD from 1 January 2019 to 22 February 2019 using an exchange rate of 1:1 between the RTGS FCA and Nostro FCA and changed to Zimbabwe Dollar as presented in the consolidated financial statements. This constitutes a departure from the requirements of IAS 21 – The Effects of Changes in Foreign Exchange Rates. Had the consolidated 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.

On 11 October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement relating to the application of IAS 29 – Financial Reporting in Hyperinflationary Economies. The PAAB advised that there is broad market consensus within the accounting and auditing professions that the factors and characteristics to apply the Financial Reporting in Hyperinflationary Economies Standard (IAS 29), in Zimbabwe had been met. The Company has applied IAS 29 – Financial Reporting in Hyperinflationary Economies with effect from 1 January 2019. However, as a result of the need to comply with the requirements of S.I. 33 of 2019, the changes in the general pricing power of the functional currency were applied on amounts that were not restated to resolve the matters which resulted in an adverse report in the prior year. This approach resulted in a consequential departure from the requirements of IAS 29 - Financial Reporting in Hyperinflationary Economies.

Had the Group fully applied the requirements of IAS 29 on restated base numbers, many of the elements of the financial statements would have been materially impacted and therefore the departure from the requirements of these standards is considered to be pervasive. The financial effects on the inflation adjusted financial statements of this departure have not been determined.

Fair value determination of transactions, assets and liabilities.

The determination of fair values for transactions, assets and liabilities presented in the financial statements is affected by the prevailing economic environment and may therefore be distorted. As disclosed in **note 32** to the financial statements, a revaluation exercise was performed by professional valuers. The monetary and fiscal policy reforms being implemented in Zimbabwe have resulted in valuation challenges in the short-term and may lead to significant variations in fair values, depending on factors and assumptions used in the determination of the fair values.

Consequently we were unable to determine the reasonability of assumptions applied in determining the valuation of Property and Equipment given the specific nature of the Company's assets in the prevailing environment.

Going concern

As described in **note 34** to these financial statements, Hwange Colliery Company is in its second year 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 the total liabilities of the company exceeding total assets.

As more fully disclosed in **note 34 to** these financial statements the Company's Administrator has initiated the following plans to address these and other challenges through the following, amongst other turnaround initiatives:

- Implementation of a sales plan which will be driven by the sale of high value coking coal to mainly coke batteries and industry.
- Implementation of a plan to increase the haulage capacity, the washing capacity as well as to complete the major repairs on the continuous miner.
- The company will also continue with the already implemented tight cost control and working capital management system which is allocating most of the cash resources towards the operations requirements.

- The company will continue with the scheme of arrangement agreed payment plan to creditors although the time lines maybe are adjusted through engagements with all the creditors.

The ability of the Company to continue operating as a going concern is dependent on the success of the turnaround initiatives being pursued by the Company's administrator.

We draw attention to **note 41** to the financial statements, which describes the uncertainties relating to the possible effects of the COVID-19 pandemic on the Company. The Company is unable to presently determine the impact of the Covid-19 pandemic on its operations in the year 2020.

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

As described in **note 16** to these financial statements, financial information for its investments in associates and joint ventures, namely; for Clay Products (Private) Limited and Hwange Coal Gasification Company Limited were not availed for review. 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 **ZWL 162 307 704** that was availed by the Government of Zimbabwe. We were not availed with loan documentation pertaining to this amount. Consequently, we were unable to verify the classification and valuation of this amount received from the Government of Zimbabwe.

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

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 ZWL 128 203 021 and allowance for credit losses of ZWL 27 392 661 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.	• 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.

This is a significant risk and accordingly a key audit matter.	• 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 ZWL 8 117 195 as at 31 December 2019. Coal fines are a by-product from crushing and processing of coal various sizes of coal products. 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.	• 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. • 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 classified and accounted for 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 2019, the Company had payables amounting to ZWL 725 071 600. 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 2019. • 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 accounting for trade and other payables was appropriate.
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. **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.	• 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. • 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

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.	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 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.

Report on other legal and regulatory requirements

In our opinion, except for the non-compliance with International Accounting Standards as described in our Basis for Adverse Opinion, the Financial statements have been properly prepared in compliance with the requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments SI 33/99 and SI 62/96.

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 2020

HARARE