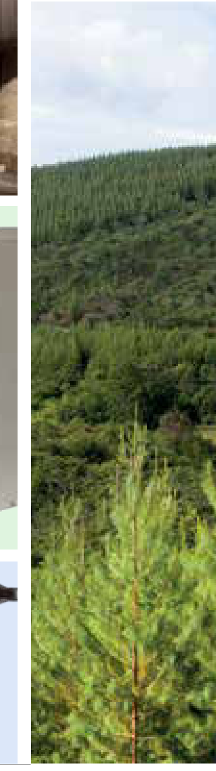
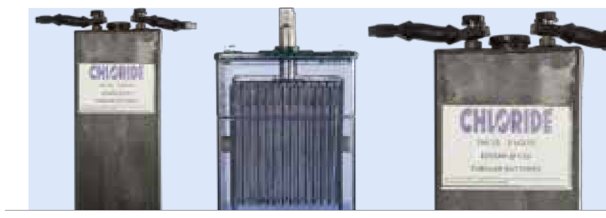
ART
AMALGAMATED REGIONAL TRADING



Audited **Financial Results**

for the year ended 30 September 2020



www.artcorp.co.zw

CHAIRMAN'S STATEMENT

OVERVIEW

The Group traded under difficult and challenging economic conditions during the year under review. The unprecedented COVID-19 pandemic had an adverse impact on the economy and is expected to continue affecting global supply chains and aggregate demand. Business units remained under pressure to continuously review pricing due to the persistent hyperinflation that characterized the operating environment. The introduction of the foreign currency auction and the easing of COVID-19 restrictions helped to manage exchange rate volatility and trade disruptions.

FINANCIAL PERFORMANCE

The Group's overall volumes for the year increased by 8% compared to prior year. Performance across the business units was affected by inconsistent power supply in the first half of the year and COVID-19 related trade and supply disruptions in the second half of the year. Export volumes were 3 percentage points ahead of last year despite pricing challenges emanating from instability of the regional currencies.

The Group posted revenues of ZWL2,601 billion representing an increase of 28% on prior year due to the increased volumes and inflation induced price adjustments.

Gross margins were held at 52% as prices were increased in line with movements in costs of raw materials and labor. Operational expenditure increased by 18% compared to the prior year. The Group's operating profit increased to ZWL824 million an increase of 32% from the prior year.

The Group recorded significant fair value losses on biological assets and investment property of ZWL218 million and $173 million respectively owing to reductions in real market values during the period.

Capital expenditure was limited to critical maintenance projects amounting to ZWL295 million. The funding of key raw materials remains a priority given the constrained cashflows. The Group generated sufficient cash to support operations and currently has adequate key raw material facilities to trade sustainably in the year ahead.

The batteries business segment continued to drive the Group's performance with battery volumes increasing by 17% for the year. Export volumes increased by 13% for the year as the division managed to grow its presence in the region.

The Paper mill production volumes improved marginally towards year end on the back of improved power and raw materials however demand remained weak and volumes fell by 37% compared to the same period last year.

Softex tissue volumes declined by 20% from prior year because of reduced disposable incomes and inconsistent supply of cheaper recycled bulk tissue. The contribution of non-tissue lines increased to 18% of total sales as the product range was widened.

Eversharp pen volumes were 33% lower than prior year as schools remained closed during the period. Production was resumed towards the end of the period in preparation for the re-opening of schools.

Timber sales volumes for the year increased by 37% as a result of improved milling efficiencies and firm demand. Operations at the estates remained largely unaffected and there were no major fire incidents during the period.

Sustainability

The Group continues to apply the Global Reporting Initiatives (GRI) standards as part of its commitment to ensuring the development of sustainable practices across our operations and within our environment. The COVID 19 pandemic has had its impact on many businesses and has tested our resilience. The training on the implementation of sustainability reporting standards received by the Group was instrumental in linking the business strategy to the pandemic outbreak response measures. The Group will continue to implement and enhance systems for managing sustainability risks while identifying opportunities for value creation.

DIVIDEND

The Company is not in a position to declare a dividend.

DIRECTORATE

There were no changes to the Board during the period.

OUTLOOK

The Group remains resilient and continues to sustain production despite the challenges in the environment. The measures taken to stabilize the exchange rate and improve foreign currency availability by the fiscal and monetary authorities will improve trading conditions and enable the business to continue with its plans to seek new opportunities and enhance capacity to meet demand in the region.

Cost control measures have been taken to mitigate the effects of constrained trading whilst closer relations are being mantained with financial partners who have availed appropriate funding to support working capital requirements.

The Group will maintain its proactive approach in safeguarding the health and well being of its staff and customers by continuing to maintain the COVID-19 WHO best practice guidelines.

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 support and contribution during the period under review.

T U Wushe
CHAIRMAN
1 December 2020

AUDITORS STATEMENT

These financial results should be read in conjunction with the complete set of financial statements for the year ended 30 September 2020 which have been audited by Grant Thornton Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing (ISAs). The auditors have issued an adverse audit opinion on the consolidated financial statements with respect to 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, 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, IFRS 16 – Leases and valuation of biological assets.

The auditor's report on the consolidated financial statements which form the basis of these financial results is available for inspection at the Group's registered office.

The engagement partner on the audit resulting in the auditor's report is Farai Chibisa (PAAB Number 0547)

PERFORMANCE HIGHLIGHTS

Revenue	▲ **Increased by 28% to ZWL2.6 billion**
Gross profit	**Maintained at 52%**
Operating profit	▲ **Increased by 32% to ZWL824 million**
VOLUMES	
Overall	▲ **Increased by 8%**
Export	▲ **Increased by 3%**
Batteries	▲ **Increased by 17%**
Paper	▼ **Decreased by 37%**
Timber	▲ **Increased by 37%**

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	HYPER-INFLATED		HISTORICAL	
For year ended	**30 Sep 2020 ZWL$ 000**	**30 Sep 2019 ZWL$ 000**	**30 Sep 2020 ZWL$ 000**	**30 Sep 2019 ZWL$ 000**
Revenue from contracts with customers	**2,601,905**	**2,030,379**	**1,159,814**	**131,832**
Cost of sales	(1,249,712)	(982,034)	(447,807)	(43,328)
Gross profit	**1,352,193**	**1,048,345**	**712,007**	**88,504**
Other income	12,202	35,043	6,216	2,836
Selling and Distribution expenses	(84,833)	(107,294)	(44,376)	(8,018)
Administration expenses	(455,659)	(350,988)	(317,399)	(36,115)
Total Operating expenses	**(540,492)**	**(458,282)**	**(361,775)**	**(44,133)**
Operating profit before fair value adjustments and impairments	**823,903**	**625,106**	**356,448**	**47,207**
Share of profit- Joint venture and associate	81,816	63,327	19,927	3,382
Fair value adjustments on biological assets	(218,055)	481,166	352,277	79,857
Fair value adjustment on investment property	(173,342)	492,050	367,804	78,250
Fire loss	(114)	-	(16)	-
Exchange loss	(93,555)	(166,953)	(37,509)	(31,053)
Net Monetary (loss)/gain	(444,457)	116,887	-	-
Change in functional currency	-	-	-	(3,985)
Operating Profit before interest and tax	**(23,804)**	**1,611,583**	**1,058,931**	**173,658**
Finance income	64	631	32	74
Finance costs	(36,366)	(54,745)	(28,834)	(4,055)
Profit before tax	(60,106)	1,557,469	1,030,129	169,677
Income tax expense	601,937	(796,093)	(347,708)	(109,952)
Profit after tax	**541,831**	**761,376**	**682,421**	**59,725**
OTHER COMPREHENSIVE INCOME				
Items that may not be reclassified subsequently to profit or loss:				
Surplus/(Loss) on revaluation of property plant and equipment	(799,232)	1,190,440	724,832	174,633
Items that may be reclassified subsequently to profit or loss:				
Translation of foreign subsidiaries	14,587	38,932	14,587	5,126
Total comprehensive income for the year, net of tax	**(784,645)**	**1,229,372**	**739,419**	**179,759**
Attributable Earnings	**(242,814)**	**1,990,748**	**1,421,840**	**239,484**
Earnings per share (cents)				
Basic	114.60	161.03	144.34	12.63
Diluted	114.60	161.03	144.34	12.63
Headline	43.54	84.85	39.64	(2.12)

GROUP STATEMENT OF FINANCIAL POSITION

	HYPER-INFLATED		HISTORICAL	
As at	**30 Sep 2020 ZWL$ 000**	**30 Sep 2019 ZWL$ 000**	**30 Sep 2020 ZWL$ 000**	**30 Sep 2019 ZWL$ 000**
ASSETS				
Non-current assets				
Property, plant and equipment	1,289,235	2,170,020	1,256,216	259,263
Investment Property	449,881	623,223	449,861	82,057
Biological assets	452,681	643,722	452,681	84,756
Investment in joint venture and associate	184,797	102,981	24,702	5,212
Lease right of use	85,566	-	47,320	-
Total non-current assets	**2,462,160**	**3,539,946**	**2,230,780**	**431,288**
Current assets				
Inventories	445,181	791,088	383,345	49,238
Trade and other receivables	295,301	371,464	258,202	26,259
Cash and cash equivalence	52,581	50,818	52,581	6,691
Total Current Assets	**793,063**	**1,213,370**	**694,958**	**82,188**
TOTAL ASSETS	**3,255,223**	**4,753,316**	**2,925,738**	**513,476**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	1,618	1,618	47	47
Share premium	150,715	150,715	4,378	4,378
Reserves	2,275,969	2,518,783	1,677,194	255,354
Shareholders' equity	**2,428,302**	**2,671,116**	**1,681,619**	**259,779**
Non-current liabilities				
Deferred tax liabilities	108,568	1,101,708	607,497	150,044
Interest bearing loans and borrowings	9,092	5,856	9,092	771
Lease liability	37,615	-	37,615	-
Total non-current liabilities	**155,276**	**1,107,564**	**654,204**	**150,815**
Current liabilities				
Trade and other payables	316,744	594,476	307,355	57,640
Provisions	62,363	17,066	29,924	1,421
Income tax payable	171,856	188,447	131,954	20,883
Interest bearing loans and borrowings	49,675	127,064	49,675	16,673
Lease liability	31,623	-	31,623	-
Bank overdrafts	39,384	47,583	39,384	6,265
Total current liabilities	**671,645**	**974,636**	**589,915**	**102,882**
Total liabilities	**826,921**	**2,082,200**	**1,244,119**	**253,697**
TOTAL EQUITY AND LIABILITIES	**3,225,223**	**4,753,316**	**2,925,738**	**513,476**

ART/03699

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

ART
AMALGAMATED REGIONAL TRADING

Audited Financial Results

for the year ended 30 September 2020

ART/03699

GROUP STATEMENT OF CASH FLOWS

For the year ended	HYPER-INFLATED 30 Sep 2020 ZWL$ 000	HYPER-INFLATED 30 Sep 2019 ZWL$ 000	HISTORICAL 30 Sep 2020 ZWL$ 000	HISTORICAL 30 Sep 2019 ZWL$ 000
Cash generated from operations	**311,273**	**226,029**	**34,432**	**11,505**
Finance income	64	631	32	74
Finance costs	(12,754)	(42,252)	(8,700)	(2,335)
Tax paid	(20,850)	(6,714)	(11,579)	(1,226)
Cash generated from operating activities	**277,733**	**177,694**	**14,185**	**8,018**
Cash flow from investing activities:				
Purchase of property, plant and equipment	(295,487)	(62,628)	(45,822)	(5,132)
Costs capitalized to biological assets	(33,950)	(33,594)	(18,967)	(2,153)
Proceeds on disposal of property, plant and equipment	1,062	661	1,044	64
Dividends received	693	661	164	87
Cash utilized in investing activities	**(327,682)**	**(94,900)**	**(63,581)**	**(7,134)**
Cash utilized in financing activities:				
Proceeds from borrowings	84,732	58,770	84,733	11,813
Repayment of borrowings	(24,821)	(139,748)	(22,566)	(13,690)
Cash (used)/generated from financing activities	**59,911**	**(80,978)**	**62,167**	**(1,877)**
(Decrease)/increase in cash and cash equivale nts	**9,962**	**1,816**	**12,771**	**(993)**
Net foreign exchange differences	-		- -	-
Cash and cash equivalents at the beginning of the period	3,235	1,419	426	1,419
Cash and cash equivalents at the end of the period	**13,197**	**3,235**	**13,197**	**426**
Comprising:				
Cash resources	52,581	50,818	52,581	6,691
Overdrafts	(39,384)	(47,583)	(39,384)	(6,265)
Cash and cash equivalents at the end of the period	**13,197**	**3,235**	**13,197**	**426**

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2020

	Share Capital ZWL$000	Share Premium ZWL$000	Non-distributable Reserves ZWL$000	Retained Earnings ZWL$000	Total ZWL$000
INFLATION ADJUSTED					
At 30 September 2018	**1,618**	**150,715**	**23,271**	**504,764**	**680,368**
Profit for the year	-	-	-	761,376	**761,376**
Other comprehensive income/(Loss)	-	-	1,229,372	-	**1,229,372**
Transfer between reserves	-	-	(2,446)	2,446	**-**
At 30 September 2019	**1,618**	**150,715**	**1,250,197**	**1,268,586**	**2,671,116**
Profit for the year	-	-	-	541,831	**541,831**
Other comprehensive income	-	-	(784,645)	-	**(784,645)**
Transfer between reserves	-	-	-	-	**-**
At 30 September 2020	**1,618**	**150,715**	**465,552**	**1,810,417**	**2,428,302**
HISTORICAL					
At 30 September 2018	**47**	**4,378**	**9,921**	**5,949**	**20,295**
Profit for the year	-	-	-	59,725	**59,725**
Other comprehensive income/(Loss)	-	-	179,759	-	**179,759**
Transfer between reserves	-	-	(71)	71	**-**
At 30 September 2019	**47**	**4,378**	**189,609**	**65,745**	**259,779**
Profit for the year	-	-	-	682,421	**682,421**
Other comprehensive income	-	-	739,419	-	**739,419**
Transfer between reserves	-	-	-	-	**-**
At 31 March 2020	**47**	**4,378**	**929,028**	**748,166**	**1,681,619**

GROUP SEGMENT RESULTS

	Paper ZWL$ 000	Batteries ZWL$ 000	Forests ZWL$ 000	Eversharp ZWL$ 000	Central Administration ZWL$ 000	Group ZWL$ 000
INFLATION ADJUSTED						
September 2020 Revenue						
External customer	291,694	1,803,815	291,694	214,702	-	**2,601,905**
Operating profit	17,916	762,118	36,510	23,182	(15,842)	**823,903**
Finance cost	(2,174)	(4,992)	-	(2,174)	(27,026)	**(36,366)**
Net Segment assets	326,160	1,056,167	919,990	65,974	60,010	**2,428,302**
Capital expenditure	(10,668)	(256,929)	(6,367)	(8,217)	(13,306)	**(295,487)**
Depreciation	(31,068)	(60,006)	(19,876)	(22,009)	(16,819)	**(149,778)**
September 2019						
External customer	373,963	1,290,656	83,226	282,534	-	2,030,379
Operating profit	63,309	482,214	30,190	3,091	46,302	625,106
Finance cost	(23)	(6,061)	-	(1,709)	(46,952)	**(54,745)**
Segment assets	518,526	1,296,710	1,195,286	74,666	(414,072)	**2,671,116**
Capital expenditure	(24,425)	(27,904)	(5,408)	(1,362)	(3,529)	**(62,628)**
Depreciation	(1,587)	(33,281)	(2,757)	(5,590)	(2,871)	**(46,086)**
HISTORICAL						
September 2020 Revenue						
External customer	147,320	870,827	57,499	84,168	-	**1,159,814**
Operating profit	9,502	374,347	18,712	12,998	(59,111)	**356,448**
Finance cost	(1,778)	(3,651)	-	(422)	(22,983)	**(28,834)**
Net Segment assets	178,231	800,245	854,435	6,208	(157,500)	**1,681,619**
Capital expenditure	(5,211)	(23,598)	(6,448)	(3,345)	(7,220)	**(45,822)**
Depreciation	(6,484)	(25,076)	(2,627)	(5,819)	(3,874)	**(43,880)**
September 2019 Revenue						
External customer	25,645	80,649	5,779	19,759	-	131,832
Operating profit	3,791	37,554	1,971	11,587	(7,696)	47,207
Finance cost	(1)	(394)	-	(118)	(3,542)	**(4,055)**
Segment assets	36,537	110,788	149,748	8,627	(45,921)	**259,779**
Capital expenditure	(1,627)	(2,838)	(379)	(109)	(179)	**(5,132)**
Depreciation	(223)	(1,038)	(87)	(18)	(110)	**(1,476)**

SUPPLEMENTARY INFORMATION

1. **Corporate Information**

The abridged consolidated financial statements of Amalgamated Regional Trading (ART) Holdings Limited and its subsidiaries (collectively, the Group) for the financial year ended 30 September 2020 were authorised for issue in accordance with a resolution of the directors on 25 November 2020. ART Holdings Limited is incorporated in the British Virgin Islands and its shares are publicly traded on the Zimbabwe Stock Exchange through its regional subsidiary ART Zimbabwe Limited.

The main activities of the Group are the manufacture and distribution of paper products, stationery, and lead acid batteries. The Group's principal place of business is 202 Seke Road, Graniteside, Harare.

2. **Basis of preparation**

The abridged consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) and the British Virgin Islands Companies Act for International Business Companies (Chapter 291), except for non-compliance with International Accounting Standard ("IAS") 21.

The consolidated financial statements have been prepared under the current cost basis as per the provisions of IAS 29 "Financial Reporting In Hyper-inflationary Economies". The local accounting regulatory board, Public Accountants and Auditors Board (PAAB) proclaimed all financial periods after 1 July 2019 to be reported under the hyper-inflation accounting basis. Therefore, the primary financial statements of the Group are the inflation adjusted and historical numbers have been provided as suplimentary information.

The sources of the price indices used were the Zimbabwe Statistical office from 2009 to September 2020.

	Indices	Conversion factor
CPI as at 30 September 2020	2,205.20	1.000
CPI as at 30 September 2019	290.4	2.791

3. **Functional and presentation currency**

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

4. **Statement of accounting policy**

The accounting policies in the preparation of the 2020 financial year consolidated financial results are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 September 2019 except for the changes that arose due to the adoption of IFRS 16 – Leases.

5. **Borrowings - Inflation Adjusted**

	30 September 2020			30 September 2019		
ZWL 000's	**Short-term and Overdraft**	**Long-term**	**Total**	**Short-term and Overdraft**	**Long-term**	**Total**
Group	89,059	9,092	**98,151**	174,647	5,856	**180,503**

The Borrowings are secured by non-current assets with a net book value of ZWL$943 million (2019: ZWL$1,490 million).

The average cost of borrowings is 30%

DIRECTORS' RESPONSIBILITY

The Company's Directors are responsible for the preparation and fair presentation of the Group's consolidated financial statements, of which this Press Statement is an extract.

These abridged Group financial statements are presented in accordance with the disclosure requirements of the Zimbabwe Stock Exchange (ZSE) Listing requirements and in accordance with International Financial Reporting Standards and the Companies and other Business Entities Act (Chapter 24:31).

The principal accounting policies applied in the preparation of these financial statements are consistent with those applied in the previous annual financial statements except for the effect of adopting the requirements of IFRS16 (Leases) which increased the Group's Assets and Liabilities and which had a minimal net impact on the Group's Statement of Profit and Loss and other Comprehensive Income.

The Directors would like to advise users to exercise caution in their use of these annual financial statements due to the impact of the change in functional currency in February 2019, its consequent effect on the financial statements and the adoption of the International Accounting Standard (IAS) 29 (Financial Reporting in Hyperinflationary Economies).

Grant Thornton

Independent Auditor's Report

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To the members 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 set out on pages 65 to 141, which comprise the consolidated statement of financial position as at 30 September 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant group accounting policies.

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion* section of our report, the consolidated financial statements do not present fairly, in all material respects, the financial position of Amalgamated Regional Trading Holdings Limited as at 30 September 2020, and its 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 of Adverse Opinion

Non-compliance with IAS 21 on the accounting of comparatives and transactions for the period

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. During the prior financial year up to 22 February 2019, the Group transacted using a combination of Nostro FCA (USD) and RTGS FCA (electronic payments), including mobile money, bond notes and coins. In terms of IAS 21, these would be considered separate currencies requiring translation to the functional and presentation currency at appropriate exchange rates.

In order to comply with SI 33/2019, the RTGS transactions and balances for the prior year were accounted for on the basis of a rate of 1:1 between USD and RTGS. The Group changed the functional currency on 22 February 2019 in compliance with legislation. This was not consistent with IAS 21, in which compliance would have resulted in the reassessment of the functional currency at a date earlier than 22 February 2019.

In addition, during the period 22 February 2019 to 30 September 2020, the foreign currency denominated transactions and balances were translated into ZWL using the official interbank exchange rate which is not considered an appropriate spot rate for translations as required by IAS 21. The opinion on the prior year consolidated financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended 30 September 2020.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Group'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.

Non-compliance with International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies

The Directors have applied the IAS 29 – Financial Reporting in Hyperinflationary Economies with effect from 1 October 2018 to 30 September 2020. However, its application was based on prior and current year's financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the financial statements would have been materially different. The impact of the departure from the requirements of these standards is considered material and pervasive to the consolidated financial statements.

Fair value determination for assets, transactions and liabilities

The determination of fair values for assets, transactions and liabilities presented in the consolidated financial statements is affected by the prevailing economic environment and may therefore be distorted. This may result in significant variations in fair values, depending on factors and assumptions used in the determination of the fair values.

COVID 19 Outbreak

We draw attention to **note 40** to the consolidated financial statements which describes the uncertainties related to the COVID-19 outbreak.

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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming the opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the financial statements.

Areas of focus	How our audit addressed the key audit matter
Revenue recognition	
IFRS 15 was applied on revenue recognition. • There is a presumed fraud risk with regards revenue recognition as guided by International Standard on Auditing (ISA 240 Revised). There is a risk that the revenue is presented at amounts higher than what has been actually generated by the Group. This is a significant risk and accordingly a key audit matter.	Our audit procedures incorporated a combination of tests of the Group's controls relating to revenue recognition and the appropriateness of revenue recognition policies as well as substantive procedures in respect of testing the occurrence assertion. Our substantive procedures included but were not limited to the following: • Reviewed that revenue recognition criteria is appropriate and in line with the requirements of IFRS 15. • Performed cut-off tests on year end balances to ensure revenue is recognised in the correct period. • Tested design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of revenue transactions • Identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review. • The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which

Areas of focus	How our audit addressed the key audit matter
	mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation). • Analytical procedures and assessed the reasonableness of explanations provided by management. We satisfied ourselves that the revenue recognition is appropriate.
IFRS 16 Leases • The Group adopted IFRS 16 – Leases effective 1 October 2019. The Group has chosen to apply IFRS 16 under the modified retrospective approach. IFRS 16 modifies the accounting treatment of operating leases at inception, with the recognition of a right of use on the leased asset and of a liability for the lease payments over the lease contract term. • In order to compute the transition impact of IFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate ("IBR") method has been adopted where the implicit rate of interest in a lease is not readily determinable. • The key audit matter in this regard pertains to the following risks: ❖ Leasing arrangements within the scope of IFRS 16 are not identified or appropriately included in the calculation; ❖ Specific assumptions applied to determine the discount rates	• Assessed the design and implementation of key controls pertaining to IFRS 16 transition; • Assessed the appropriateness of the discount rates applied in determining lease liabilities; • Verified the accuracy of the underlying lease data by agreeing representative leases to original contracts or other supporting information, and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment; and • Considered completeness by testing the reconciliation to the Group's operating lease commitments, and by investigating key service contracts to assess whether they contained a lease under IFRS 16. • Based on our procedures performed and our assessment of the disclosures made, we have not identified any reportable matters.

Areas of focus	How our audit addressed the key audit matter
for each lease are inappropriate; ❖ The underlying lease data used to calculate the transitional impact is incomplete and/or inaccurate; ❖ The mechanical accuracy of lease calculations is flawed; and ❖ The disclosures in the financial statements are insufficient.	
Biological assets • Timber plantations are classified as biological assets and are accounted for in accordance with International Accounting Standard (IAS) 41 – *'Agriculture'*. • The valuation of biological assets is an area of significant estimate and judgement. The valuation requires complex measurements and involves estimation uncertainty. • The key measurements and assumptions having the most significant impact on the fair value of the biological assets include: ❖ Determination of market prices of timber for fair valuation in accordance with IFRS 13; ❖ Determination of maturity profile of the plantations as at 30 September 2020; ❖ Determination of timber growth estimations; ❖ Determination of expected yields; and ❖ Determination of appropriate discounting rate. • Due to estimates and assumptions	In addressing the matter, our procedures included the following: • Obtaining an understanding and testing the design and operating effectiveness of relevant controls; • Assessing and evaluating the key assumptions and methodologies used in the valuation model by management in determining the fair values of the biological assets for reasonableness. • Assessing the reasonableness of the Group's fair value calculation and the related sensitivity disclosures, by performing our own sensitivity analysis on the biological assets. • Assessing the consistency of application of the valuation model on a year on year basis. • Independently calculating the fair value and comparing the valuation model inputs to internal data and the external data. • Involved our internal valuation experts to evaluate the discount rate used by management in discounting cash flows. • Reviewing the appropriateness and adequacy of the disclosures for fair value

Areas of focus	How our audit addressed the key audit matter
involved in the determination of the fair value of biological assets, this area has been considered as a key audit matter.	measurement in the consolidated financial statements.

Other Matter

The financial statements of Amalgamated Regional Trading Holdings Limited for the year ended 30 September 2019, were audited by another auditor who expressed an adverse opinion on those financial statements.

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 Group, 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 adverse opinion.

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 Report, Directors' Responsibility for Financial Reporting, Certificate of Compliance by Group Company Secretary and Declaration by the Group Chief Finance Officer, 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 consolidated 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 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 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 Directors for the consolidated financial statements

Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and in the manner required by the Companies Act (Chapter 24:03) and the relevant statutory instruments (SI33/99 and SI62/96) and for such internal control as 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, 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 Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Directors are also responsible for overseeing the Group'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 Group'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 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 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 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 business activities within the group to express an opinion on the 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 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.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the effects of the matters described in the basis of adverse opinion, the financial statements have been properly prepared, in all material respects, in accordance with the accounting policies and comply with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/1999 and SI 62/1996).

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

1 DECEMBER 2020

HARARE